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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS



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EAST EUROPE REPORT

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GERMAN DEMOCRATIC REPUBLIC

ASPECTS OF TWO GERMAN ECONOMIES COMPARED

Prosperity Gap Widening

Bonn DIE WELT in German 7 Apr 84 p 4

[Article by W. Obst]

[Text] The economic situation in both parts of Germany has been unsatisfactory for some time, but the problems are completely different. In the Federal Republic the mountain of government debt has now reached the height of 700 billion marks, but in the GDR the government is practically without debt. To be sure, it is in the red abroad, particularly in the West, but also in Moscow. Still, with about 38 billion DM in foreign debt, East Berlin makes a better impression all in all than Bonn with its "inherited burden" from the Social-Liberal coalition.

The same thing applies to the labor market, our main problem. Here the GDR preserves the appearance of full employment. With 55.7 percent, it has the highest rate of employment in the world. There is no country that mobilizes a larger part of its inhabitants for work.

Nevertheless, even though all available production capacity is being used, there is still scarcity. The population must go through one cyclical supply crisis after another. Here at home on the other hand, considerable capacity lies idle, but there is still surplus.

Here the citizens worry about jobs; over there they complain about lack of goods, chronic lack of vitamins, hard work, colorless, sad, everyday life, and the feeling of being confined and separated.

Never before was the gap between the modest GDR prosperity and ours as great as right now. A glance at the present productivity makes the GDR dilemma clear (See the table at the end of the article).

A worker in the Federal Republic produces in one working hour two and a half times as much as a citizen of the GDR. And the prosperity drop from West to East right through Germany cannot be explained either historically or by the effects of the war. The central German area suffered considerably less war damage than West Germany as far as industrial plants and housing are concerned.

Even if the greater dismantling is taken into consideration -- the starting level of both German states was about the same at the beginning of the 1950's. If the GDR had accepted the proffered Marshall Plan aid and invested it socialistically -- the German scene would not look one bit different today. The GDR took over precisely those German areas that were well ahead industrially -- they just didn't understand how to make something out of them.

The most common argument of the SED leadership is at the same time the most threadbare: the story about the GDR that lacks raw materials. But what is the difference here from the Federal Republic? And besides: Switzerland and Japan have even fewer raw materials and are nevertheless prosperous. The communist Soviet Union on the other hand only produces socialist poverty in an immeasurably large country with huge mineral wealth. Therefore the fault cannot be lack of raw materials when the GDR's planned economy fails.

But the most explosive problem for the GDR is this: The economic backwardness in relation to the Federal Republic continually grows! Before the wall was built, 72 percent of the West German production per worker was still achieved. In 1970 it was still 59 percent. Now it is all of 45 percent. The growing productivity gap prevents the final political consolidation of the state and makes the wall irrevocable. No consideration, however well-intended, can change this.

When in 1946 the SPD and the KPD in the zone were forced together to form the SED, the new party wanted with tenacity, fanaticism, and above all with hard work to prove that nationalized industry created more prosperity and provided more freedom for the workers than private enterprise. German socialists had long dreamed of this chance. But today, 35 years after the founding of the GDR, this experiment has failed. The planned economy has no more future. The bill for the socialistic experiment is being paid by the GDR citizens, whether they are employees, workers, farmers, artisans, or independents. They are far behind in real wages, income, interest, savings, and property -- and the wall was the inevitable result of this. One should quit confusing cause and effect here: First the Marxist economy collapsed, and then the wall had to be built.

As if in a laboratory the Germans in the East and West can follow what happens when state capital and central planning set the fashion and when full employment becomes the most important goal of the economy. But the GDR still has its real test before it. If the Federal Republic regains its previous economic dynamics, then the German-German productivity gap will split even wider apart. Will the wall still hold then?

Productivity 1983	Total (Billions DM)	Gross National Product		
		per Inhabi- tant (DM)	per Worker (DM)	per Working Hour (DM)
Federal Republic	1,670	27,100	66,300	37.50
GDR	ca. 280	16,800	30,100	14.60
GDR in relation to the FRG		62 percent	45 percent	39 percent

GDR Currency Getting Stronger

Frankfurt/Main FRANKFURTER ALLGEMEINE ZEITUNG in German 26 Apr 84 p 13

[Unsigned article: "Purchasing Power of East Mark Has Risen Somewhat"]

[Text] The price of books in the GDR is rising quite dramatically, and expensive illustrated volumes, atlases, or scientific literature now often cost just as much, and in individual cases even more, than comparable books in the Federal Republic. All in all, however, the price increases in goods of higher value, which began after the change in the consumer price policy at the end of 1979, has not continued with the same speed as in the beginning. The German Institute for Economic Research has studied this situation.

According to the study, the relative buying power of the East mark in comparison to the D-mark has risen in most consumer areas. It says that improvements in favor of the GDR currency are not only in services and in subsidized goods of basic need, but also in part in industrial products as well. On the basis of a combined market basket, which is supposed to include the different consumption habits in the two German states, the relative buying power of the GDR currency has increased in the past two years by about ten percent. Still, no basis can be found in the report that explains the prosperity gap between the two German populations. For in the GDR not only the prices, but also the wages have risen considerably more slowly than in the Federal Republic.

A "total German" worker's budget, as it were, with four persons would, according to the observations of the German Institute for Economic Research in the GDR, live about seven percent more cheaply than in the Federal Republic. If one uses the actual consumption habits of the GDR citizen as a base, the difference is one quarter. A GDR retired family at home has to spend about 43 percent less than the same market basket would cost in the FRG. To be sure, the average income of the Federal German worker family is about twice as high as in the GDR.

9124

CSO: 2300/439

BROWN COAL MINING YIELDS VALUABLE MINERAL BYPRODUCTS

East Berlin NEUES DEUTSCHLAND in German 24 Apr 84 p 2

[Unsigned article: "Raw Materials Together With Coal"]

[Text] The Bitterfeld Brown Coal Combine will produce 107 million tons coal this year. To achieve this output, the miners must move 374 million cubic meters overburden. The earth strata located above, between and beneath the coal seams also contain mineral raw materials of the utmost importance for many industries. Gravel and quartz sands, peat and china clay are the most important of these accompanying raw materials. Combine general director Helge Haeger so informed us in a press release.

The demand for these products is great. The Bitterfeld combine alone supplies roughly 3 million tons gravel sand to the construction industry; the GDR brown coal industry as a whole provides 1.8 million tons clay for the construction and sanitary ceramics industries, 4,500 tons china clay for the tile and fine ceramics industry, 100,000 tons foundry sand for the foundry industry. In the current fiveyear plan period at least 8 percent of the total GDR requirement for these raw materials is to be met from opencast brown coal mines.

Very valuable indeed, for example, is the Luckenau clay from the Profen opencast mine of the Bitterfeld Brown Coal Combine; this has an average alumina content of 32 percent. Here 250,000 tons per annum are produced for and shipped to industry. Clay is an important basic material for the production of technical ceramics. It is also used in the manufacture of fireclay and as ball clay for fireproof products.

Among the main customers for Bitterfeld gravel sand are the Aggregate and Rock Combine VEB and construction enterprises. Opencast mines producing more than 300,000 tons gravel per annum supply their customers direct.

The combine begins its efforts for the greatest possible efficiency at the time of technological preparations for the development of the opencast brown coal fields. It provides simultaneous prerequisites for producing accompanying raw materials in selected opencast mines consonant with the quantity and quality available. Laboratory analyses of the samples yielded by test drillings provide information about quality many years before the actual development of the mining operation.

In response to the great demand for these domestic raw materials and their importance, the brown coal combine is duty bound fully to exploit these resources, the general director explains. The combine is just in the process jointly with its customers to prepare supplies for the coming years. The Aggregate and Rock Combine VEB, for example, is constructing a gravel plant designed to supply crude gravel to the northern regions of the GDR. The development of the Breitenfeld opencast mine is to safeguard supplies for the southern districts. Another deposit is being developed at the Zwenkau opencast mine. Of increasing importance also is the production of quartz sands at Profen opencast mine. They are used as foundry sand. By 1985 demand is expected to have risen to about 250,000 tons annually, compared with 81,000 tons in 1981. Several opencast mining operations are establishing storage dumps for clay. This raw material will thus be available even after the opencast mine has ceased operations.

Added to various arable fields, peat adds to soil fertility, thereby increasing crop yields. The combine therefore endeavors to achieve a maximum output of this accompanying material also. The region of the Groebern opencast coal field includes a moor. The technological prerequisites have been created to extract the peat before the mining excavators begin their work.

11698

CSO: 2300/450

ELIMINATION OF TRUSTS FAILS TO ACHIEVE ALL INTENDED RESULTS

Budapest FIGYELO in Hungaria: 5 Apr 84 p 15

[Text] After long and complicated skirmishes, seven out of ten existing food industry trusts were eliminated. The extent and complexity of this process can only be briefly illustrated here.

Already in October, 1970, one of the dailies announced: "Reorganization of enterprises in the food industry--decentralized win production, meat and canning industries." However, the actual reorganizational decentralization occurred only after a 10-year wait.

The elimination of trusts increased the freedom of maneuver (or independence) of the members of the former trusts at least to the extent that some aspects of the trusts' spheres of influence now belong to the firms.

The elimination of trusts, despite these circumstances, still released significant energies on the enterprise level. That is, the initiative of the manager has increased considerably.

The firms can consider the fact that the 100-150 member trust guiding apparatus has been replaced by a ministry-level, 4-5 member apparatus which deals with the firms directly in a particular branch of industry, as a sign of the expansion of their freedom of maneuver. All of this, of course, means that the branch-oriented guidance structure has basically not changed. Only the number and composition of control personnel has been altered.

The uniformization between firms has not changed either. The trust was not a cause of redistribution between firms, but merely a method. (The attempt at uniformization does not only apply to the food industry, or just to industries with trusts, but to the entire state-run industrial sector.)

The elimination of trusts naturally did not change the structural dimensions of the enterprises either, that is, small and medium size firms are still lacking. (We can say that gigantic firms with monopoly powers over an entire branch were eliminated with the trusts, but they were replaced by several large firms with oligopolistic powers.)

And finally, as was previously referred to, there still exist many pre-determined compulsory constraints in the interfirm relations of the food industry.

The organizational decentralization of one segment of industry was not followed up by the decentralization of the trade and banking systems, both domestic and international, which are involved with the firms. The suppliers of the food industry were also not significantly decentralized. The implication of this is that the food industry enterprises were put in a position of where they would be at the mercy of organizations which are still in a monopoly situation. Therefore, there is competition for the goodwill of the monopolistic firms, instead of competition for consumers. So, to at least have a competitive situation in organizational terms, and to have competition for consumers, it is necessary for every "buyer" to be able to choose among several "sellers."

So, if the already realized organizational changes in the food industry are not followed up by establishing the preconditions of a workable market (competition) in the other sectors of the economy, then the expected (and already experienced) favorable effects from breaking up trusts cannot fully develop. In fact, the need to reestablish trust-like conditions can be expected.

CSO: 2500/344

ECONOMETRICIANS DRAFT NEW ECONOMIC SCENARIO THROUGH 1988

Warsaw ZYCIE GOSPODARCZE in Polish No 17, 22 Apr 84 p 11

[Article by Marek Misiak: "Professor Welfe's Forecasts"]

[Text] The Institute of Econometrics and Statistics at Lodz University, directed by Prof Wladyslaw Welfe, who is still unknown to most readers of ZYCIE GOSPODARCZE, has been working for many years on a comprehensive forecast of the Polish economy. We believe that the figures obtained deserve wide dissemination.

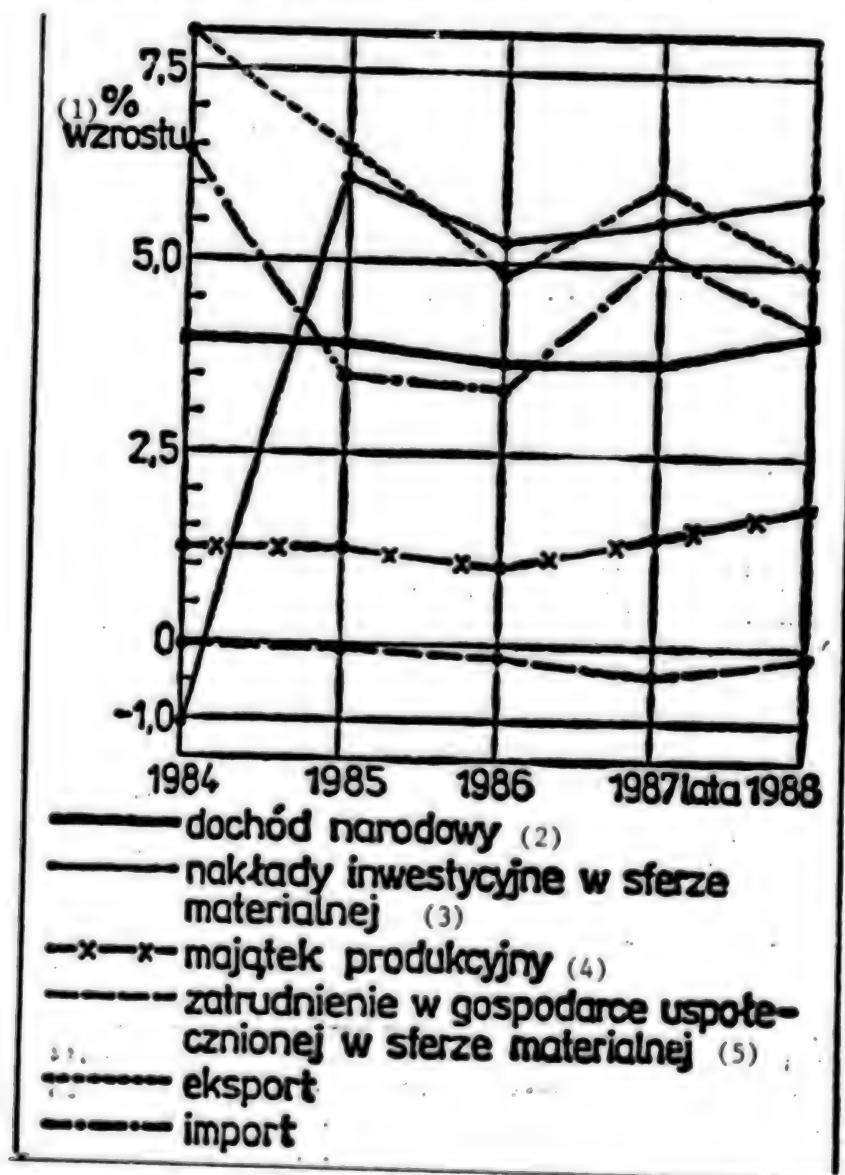
According to the publications received in our editorial office during the past month, three forecasts were produced in this institute in 1983, covering the period to 1985. The first was completed in 1982. This was a forecast covering the years 1982 to 1985 and it takes into account the main goals formulated in the preliminary concepts of the draft 3-year plan, information on economic processes occurring during the first three quarters of 1982, and three versions of a forecast of exogenic variables which were based on the institute's estimates, and also anticipated changes in economic policy. The next report was produced in March 1983 and contained only one version, which the authors considered to be the basic forecast. It includes preliminary information on 1982 economic figures, successive proposals on an economic plan for 1982-1985, and the results of a discussion conducted on the previous version of the forecast. The last of these series of reports, produced in June 1983, contains results of a simulation of anticipated economic processes to occur during 1983-1985, conducted on the assumption that the basic assumptions of the final variant of the National Socioeconomic Plan for 1983-1985 accepted by the Sejm will be implemented.

All of the above-mentioned reports were published in "Lodz University Institute of Econometrics and Statistics Papers" in the form of extensive dissertations under the authorship of Wieslaw Juszcak and Wladyslaw Welfe. The material is made up largely of formulas and statistical tables. The characteristic feature of these reports, for which the authors have been rebuked in various discussions, is that all amounts are stated in early-1977 prices and not in the 1982 prices used in the National Socioeconomic Plan draft for 1981-1983.

In 1982 Prices to... 1988

Two weeks ago we received (by agreement directly with the authors) their next--fourth--report, in which they use results of quantities expressed in 1982 prices as a base, and which also includes a forecast for the years 1986-1988. This report has not yet been published by the Institute and is titled: "Medium-Range Forecast of Poland's Economic Development in 1984-1988". We present the basic quantities in the forecast, after the authors, in the form of a graph.

Growth of Basic Production Factors and National Income



Key:

- | | |
|--|--|
| 1. Growth | 4. Production assets |
| 2. National income | 5. Employment in the socialized economy in the sphere of materials |
| 3. Investment outlays in the sphere of materials | |

As the graph shows, the national income generated (NIG) would increase during 1984-1988 an average of 3.9 percent annually at a relatively stable rate; in 1984 it would increase 4 percent; in 1985, 3.9 percent; in 1986 and 1987, 3.7 percent each; and in 1988, 4.1 percent. Although the authors assume this forecast scenario to be the most-likely one, they do not exclude the possibility that the mentioned growth indexes will be higher or lower.

One of the basic conditions for achieving the national income foreseen in the most-likely scenario is that the growth rate of efficiency of utilization of production factors, envisaged by the authors, is realized. This will depend, according to the authors, "on improvement in the organization of production, better utilization of the working time of equipment and employees, innovations, etc., in addition to the results of a growth of import resulting from elimination of bottlenecks in industry." The authors also envisaged that the growth rate of the materials-intensiveness of production will slacken. They do not feel that a reduction in materials-intensiveness is very realistic. Failure to fulfill these assumptions, i.e., status quo in efficiency in utilization of production factors, would mean a reduction in the growth of the national income from 3.9 percent to 2 percent per year, and a stagnation in consumption (a decline in consumption in terms of one inhabitant). The consequences of a decline in export, caused by lack of progress in efficiency of utilization of production factors, would be even sadder (in relation to the most-likely scenario). It would then be necessary, according to the authors, to expect a reduction of the national income divided (NID) by approximately 4 percent in 1988, as compared with 1983.

The authors foresee a higher growth of NIG, in comparison with the most-likely scenario, due to the possibility of making fuller use of the production apparatus. Utilization of production capacity in industry is estimated at approximately 80 percent, if we assume the ceiling reached in 1980 to be the maximum, and at approximately 65 percent if we consider the possibility of raising shift-work to the historically highest level and an increase in the productivity of the manufacturing apparatus. The scenario shows that this productivity can be increased by 5 to 6 points, which would increase the growth of NIG from 3.9 to 5 to 6 percent per year. The advisability of maximizing the growth of NIG beyond a certain limit may be questionable, which the authors themselves admit, because of the danger that there will be a return to the "former structures of manufacture."

Foreign Trade and Investments

In foreign trade, Juszcak and Welfe envisage a 10.2 percent growth of export to nonsocialist countries, in fixed prices, in 1984, and a 33.9 percent growth in 1988 in relation to 1983; to socialist countries, in the first case, by 5.9 percent, and in the second, by 32.3 percent. Similar percentages for imports in the first case amount to 7.7 percent and 33.3 percent, and in the second case, to 5.6 percent and 18.7 percent. Assuming that the unfavorable terms of trade with both payment areas will remain, they envisage that under these conditions the favorable balance in turnovers with nonsocialist countries would hold steady at 1.5 billion dollars a year. However, in turnovers with socialist countries it would remain unfavorably close to its present level.

In the annual plan for 1984 a favorable balance was envisaged in turnover with nonsocialist countries, somewhat higher than in the scenario under discussion. Also, a slightly higher rate of turnover was envisaged. As shown in the recently published analysis of foreign trade, prepared by the KRG [National Economic Council] (see ZYCIE GOSPODARCZE, No 13, 1984) various threats are appearing to the implementation of the growth rate of export to these countries specified in the plan. The KRG, therefore, is proposing that the economic mechanisms which stimulate export be more strongly activated. In the first year of the 5-year plan which the scenario under discussion describes, already some very important problems have become apparent as the assumptions of this plan are compared with what is really happening.

The assumptions made by the authors that investments in the sphere of materials in 1984 will be reduced 1.1 percent as compared with 1983 are also undoubtedly controversial. Cutting off the so-called "investment tail" will meet with great resistance, as shown by the fact that planned investment outlays for 1983 are being greatly exceeded.

But during 1985-1988 the authors envisage a rather high rate of investment, an average of 5.2-5.3 percent per year, but this is tied to implementation of investments which give definite priority to outlays for the food and fuels-energy industries, and to a somewhat lesser degree, for housing construction.

As a result, fixed assets, according to the authors' figures, would be 16.6 percent higher in the food industry and 13.8 percent higher in agriculture in 1988 than in 1983; 16.5 percent higher in the fuels industry; 12.5 percent higher in the machine engineering industry and light industry; 9.6 percent higher in trade; 5.1 percent higher in forestry and timber; and only 2.3 percent higher in the raw-materials industry. In the remaining sectors the value of fixed assets in 1988 would be somewhat higher than in 1983.

The authors are also assuming that investment processes will be improved. The size of frozen credits in excess of requirements (as a result of duration of investment cycles due to technology), according to their estimates, amounted to approximately 340 billion zlotys in 1983 (in 1982 prices). It should, in their opinion, be reduced to about 200 billion zlotys. Failure to liquidate a part of the excess frozen credits would bring about, the authors believe, a reduction of approximately 1.3 percent in the NIG growth rate envisaged in the basic scenario during the 1984-1988 5-year period.

The basic scenario also envisages a slight decrease in employment in the socialized economy in the sphere of materials (on the order of 1 percent in 1988, as compared with 1983), except that employment in the fuels industry will increase by 8.2 percent; 7.7 percent increase in trade; 5.8 percent increase in transportation and communication; 2.8 percent increase in forestry and timber; and 1.9 percent increase in the food industry.

Fluctuation in Structure of Production

Some figures stemming from the basic scenario describing changes in the structure of pure production may be also be interesting. The highest growth of

this production in 1988, as compared with 1983, should occur in the food industry (49.8 percent). Following are the fuels industry (45.6 percent), machine engineering industry (32.3 percent), trade (26.8 percent), construction (16.4 percent), and light industry (15.7 percent). Then follows the raw materials industry (14.3 percent), forestry and timber (11.5 percent), transportation and communication (10.9 percent), and agriculture (7.9 percent).

An 8.2 percent growth in crop production in agriculture was envisaged in 1988 over that of 1983, and a drop in livestock production of 2.3 percent is anticipated. In 1984 a 3 percent decline in livestock production is envisaged; in 1985, 1.4 percent; in 1986 another 0.3 percent, and a gradual rebuilding in 1987 (by 0.8 percent), and in 1988 (by 1.2 percent). This will be the consequence of an assumption that imports of grain and feed will continue to drop (in 1988 to a level 15.7 percent less than in 1983).

Despite these unfavorable conditions in livestock production the authors see a possible increase in deliveries to the marketplace in 1988 of 25.6 percent in relation to 1983 (a 5.1 percent increase in 1984, 4.2 percent in 1985, 4.4 percent in 1986, 4.8 percent in 1987, and 4.9 percent in 1988).

Deliveries from the machine engineering industry would be 38.1 percent higher, 27.8 percent higher from the food industry, and 26.1 percent higher from light industry. Supplies of durable goods would be 13.1 percent higher in fixed prices in 1988 as compared with 1983 (in 1984 a 2.4 percent growth in these supplies would be envisaged, and in the remaining years an average of 3.5 percent); clothing and footwear would increase by 12.9 percent (in 1984 by 2 percent, and in the remaining years an average of approximately 2.5 percent each year); food by 11.8 percent (during 1984-1986 from 1 to 2 percent per year and during 1987-1988 3.9 percent per year).

Deflators

The price growth indexes for 1984-1988 appearing in the Juszcak-Welfe report are very interesting and also extremely questionable. The authors have assumed that there will be a gradual and regular reduction in the inflation index in Poland, but they do not envisage the attainment of a single-digit material goods price-growth index in consumer expenditures until 1988.

They believe that the material-goods price-growth index in consumer expenditures will drop from 24.4 percent in 1984 to 17.2 percent in 1985; 12.3 percent in 1986; 10.5 percent in 1987; and 9.7 percent in 1988. But this would mean an almost 100 percent growth in prices in 1988 over 1983. The greatest growth of prices is envisaged in services (almost 140 percent) and food (almost 110 percent); the growth of prices in clothing and footwear will be slower (approximately 70 percent) and durable goods (approximately 50 percent).

This is due to the also envisaged high growth of the wage fund in the socialized economy: almost 25 percent in 1984; 19.6 percent in 1985; 14.4 percent in 1986; 11.4 percent in 1987; and 11.3 percent in 1988. In 1988 the wage fund would then be almost 112 percent higher in 1988 than it was in 1983. The growth indexes of the nominal incomes of private farmers and the nonfarming sector are anticipated to reach a somewhat higher level.

The total public nominal income, according to their estimates, would be approximately 130 percent higher in 1988 than in 1983.

The growth of wages and import prices is linked to the growth of prime costs and prices in industrial production. The authors foresee the growth in total production prices in particular branches of industry and sectors of the national economy in 1988, as compared with 1983, to range from 50 percent (depending on the branch and sector) to 175 percent (excluding the "other sectors" item, where they assumed an even higher price-growth index).

The authors' assumption of a somewhat higher growth of consumption in comparison with the growth of real income, including real wages for work in the socialized economy, is interesting. They envisage, for example, that in 1984 when the flow of goods to the marketplace will rise 5.1 percent, in fixed prices, consumption will increase 2.3 percent. This would mean that a portion of the increased deliveries would go for replenishment of stocks in trade. They estimate that the average nominal wage would increase by 23 percent; nominal income, 24.2 percent; cost of living, 24.7 percent. This indicates that while consumption grows 2.3 percent, real income in 1984 would be 0.4 percent lower than in 1983.

In other words, they expect that in 1984 part of the population's savings would be virtually "eaten up." They envisage that in 1984 the increase in money reserves will be 8.8 percent lower than in 1983; in 1985 exceptionally higher than in 1984 (due to the payments on revaluation coupons coming due this year); and amounting to 67.1 percent; in 1986 7.1 percent lower than in 1985; in 1987 36 percent lower than in 1986; and in 1988 almost 27 percent lower than in 1988.

*

Much of which is contained in the Juszczak-Welfe scenarios is debatable. The assumptions on foreign trade depend on various determining factors which are difficult to predict accurately, including trends in economic and world policy, on which Poland can exert only a limited influence. However, if external conditions turn out to be different, then certainly the assumptions in the forecasts can also be modified correspondingly and the new figures can be used. The periodic updating of the forecast, as promised by the authors, should serve this purpose.

Some other assumptions made by the authors are also debatable. The question arises, for example, whether the assumption on the reduction of livestock production up to 1986 inclusive is not too great a threat to the structure of consumption to which people have become accustomed, and also, whether this does not mean an extreme regression in the consumption of animal protein, looking at this problem from the standpoint of public health.

The setting forward, in the scenario, of the time for attaining single-digit inflation arouses much doubt. The assumption that savings will be "eaten up" also seems to be difficult to realize, particularly under conditions of a minimal growth in consumption. There is a great deal to be said in favor of not attempting to reduce wages and incomes in restricting money reserves.

In "Scenarios on the Market Situation" (see ZYCIE GOSPODARCZE No 12, 1984), together with Grzegorz Jedrzejczak and Kazimierz Ryc, I expressed the view that the zero variant of wage and real-income growth should be accepted as the permissible extreme variant (minimal).

It should be expected, of course, that the population's nominal wages and nominal incomes may be much higher than those assumed in the plan for 1984. But we should strive to prevent them from exceeding the level which would bring about a higher growth of prices in 1984 than in 1983. In the future updates of Juszcak and Welfe's forecast, therefore, it would be advisable to seek a way to attain single-digit inflation indexes a year or ~~maybe~~ 2 years earlier than the authors predicted in the report under discussion.

But these problems do not come down to this or some other correction of any of the assumptions made by Juszcak and Welfe. Their proposal of methods of analysis and their presentation of the interdependencies occurring in the economy have a value that is in a certain sense independent. We can argue about the particular assumptions and suggest that they be proven in different ways, but we can do this specifically because we have the material with which to start from. And I deem this to be the principal service of both authors. The Planning Commission, the Ministry of Finance, and the other institutions which develop our economic plans could probably gain much from working together with the Lodz econometricians.

9295

CSO: 2600/929

INCREASED PRODUCTION, IMPROVED STRUCTURE OF GRAIN RECOMMENDED

Warsaw NOWE ROLNICTWO in Polish No 1, Jan 84 pp 1-4

[Article by Dr Krzysztof Korelski: "Improving the Production of Grain in Poland"]

[Text] The shortage of grain--estimated at present to be approximately 5 million tons per year--means that these products must be imported at great cost principally from the second payments area [capitalist countries].¹ We would like to increase the production of grain, therefore, by increasing its yields from the present amount of approximately 2.6 tons per hectare to 3.0 t/ha in 1985 and 3.4 t/ha in 1990.

There are two ways in which we can reach this goal.

1. The capital-saving way, based on improving crop structures by:

--increasing the share of higher-yielding varieties in the crop areas of the 4 grains, and

--expanding the grain-cultivation areas in the total crop structure.

2. The capital-intensive way, which would increase grain yields by:

--improving the agricultural quality of the productive space,

--supplying agriculture with more means of production,

--improving spatial-organizational conditions,

--improving the technical infrastructure, services, organization of supply and sales, etc.

Although under the country's present socioeconomic circumstances primary attention should be given to making use of the potentials available in the correction of the crop structure, nevertheless it is also necessary to systematically improve the economic and spatial-organizational conditions of crop production. This means an expansion of the applicable branches of the machinery, chemical and agro-food industries which work together with agriculture, as well as services, the road network, etc. Measures to increase the production of grain (and

agricultural production as a whole) must, of course, be supported by farm policy (prices, credit, contracting terms) and the appropriate mechanisms of a legal-administrative nature.

Improving the Grain Structure

Using 1980 data as the basis for our reasoning, the area of 4-grain production, which has been quite stable for a long time,² totals 6,967.2 thousand hectares in Poland, which is 47.6 percent of the arable acreage. Of this, 20.8 percent is in rye, 11 percent in wheat, 9 percent in barley, and 6.8 percent in oats. (See Table 1).

The largest percentage of arable land is used for the cultivation of rye in the Piotrkow Trybunalski province (37.6 percent), wheat in the Zamosc province (25.1 percent), barley in the Walbrzych province (15.5 percent), and oats in Nowy Sacz province (14.6 percent). The smallest shares of these grains are in the following provinces: Walbrzych (1.1 percent), Ostroleka (2.6 percent), again Ostroleka (3.1 percent), and Torun (1.8 percent). The total area sown with the 4 grains ranges from 41.4 percent (Leszno province) to 57.1 percent of the arable area (Biala Podlaska).

Let us first look at the two basic ways of increasing grain production through improvement of the crop structure.³

The method consisting of a larger share of higher-yield varieties in the 4-grain crop areas will be discussed first, using the replacement of rye with wheat as an example,⁴ because that is where the possibilities lie, particularly within the No 1, 2, 4, 10, 11 and possibly No 8, farm-soil complexes, and thus both in the lowlands and plains and the lower mountain parcels.

Using, as the basis for our considerations, the average yield⁵ of wheat in Poland during 1978-1981--2.88 t/ha, as compared with rye, 2.16 t/ha, we get a difference of 0.72 t of grain on one hectare of crops. Just the substitution of wheat for rye on 1 percent of the arable areas (146.2 thous ha) on a national scale (at the arable land area in 1980) gives us an increase in production on the order of 105,000 tons per year. Assuming the share of area sown with grain in the arable land acreage as a constant, an increase in wheat area from 11 percent (2,046.8 thous ha), for example, to 17 percent (2,485.5 thous ha) at the expense of rye (a drop from 20.8 percent to 14.8 percent) would give an increase in grain production, on the national scale, of approximately 630,000 tons of grain (Table 2, variant a). According to the data in Table 1, the theoretical possibilities are large. Using, as an index, the ratio of the area sown with wheat to the area of arable lands suitable, from the standpoint of nature, for its cultivation (i.e., belonging to the suitable farm-soil complexes), the provinces most predestined for such changes in crop structures are those with the lowest (up to 15 percent) values in this index (located in the northern and central parts of the country): Bialystok, Koszalin, Lomza, Olsztyn, Pilske, Radom, Slupsk, and Suwalki. On these lands a similar index for rye is much higher than for wheat and ranges from 13 to 37 percent, which points to the present tendency there to give preference to the cultivation of rye. Of the total number of provinces, 49, in 27 of them the indexes on the utilization of land for cultivation of rye are higher than the similar indexes for wheat.

Table 1. Crop Structure and Ratio of Sown Area to Naturally Favorable Area - Four Grains (1980)

(1) Województwa	(2) Pow. gr. orn. w tys. ha		(3) Zyto		(4) Pszenica		(5) Jęczmień		(6) Owies		(7) 4 zboża	
	K	Z	Z : K	K	Z	Z : K	K	Z	Z : K	K	Z	Z : K
(10) POLSKA	1462,7	89,4	20,8	49,7	11,0	22	60,7	9,0	15	84,1	6,8	8
(11) Śc. warmińskie	149,9	81,7	27,5	30,9	5,2	17	45,5	4,5	10	86,7	8,0	9
(12) Mazowieckie	249,5	93,5	26,6	30,7	8,1	26	52,6	4,9	9	91,0	17,5	19
(13) Wielkopolskie	420,1	92,0	26,0	30,0	4,8	13	47,8	6,0	13	85,1	16,4	19
(14) Śląskie	137,8	83,1	7,0	71,6	14,2	20	54,4	9,8	17	90,0	11,5	13
(15) Bydgoskie	503,3	97,3	22,3	46,6	8,3	18	64,9	11,3	16	88,5	2,6	3
(16) Lubuskie	177,3	83,6	16,3	55,3	20,6	37	68,1	8,2	12	75,4	3,7	5
(17) Chodzkie	300,2	94,8	31,0	32,2	7,2	27	50,3	8,1	16	84,8	4,8	6
(18) Łódzkie	282,3	82,4	29,8	31,8	7,5	24	43,8	6,7	15	78,8	9,8	10
(19) Kujawskie	282,0	84,4	6,5	82,4	19,6	24	79,9	11,9	15	92,1	4,0	4
(20) Górnolódzkie	302,5	94,4	24,8	41,6	7,7	19	59,6	7,2	12	81,7	6,7	8
(21) Gnieźnieńskie	272,1	92,7	20,4	38,8	9,3	24	53,9	12,4	22	81,9	2,6	3
(22) Inowrocławskie	120,0	78,6	8,2	73,8	17,8	24	84,3	12,9	14	84,0	8,2	10
(23) Kaliszkie	372,1	97,4	28,1	35,0	7,7	22	47,4	6,1	13	77,5	5,9	8
(24) Kąkolewskie	232,7	83,1	12,9	50,4	12,6	25	59,5	12,3	21	84,1	6,7	8
(25) Kiełce	476,8	74,0	22,7	31,9	15,1	25	53,9	9,0	17	74,4	7,0	9
(26) Konin	309,8	96,2	32,8	29,3	7,2	15	43,2	6,4	15	76,6	4,5	6
(27) Konińskie	315,6	94,6	20,2	46,0	5,6	12	62,0	9,6	15	88,0	8,0	9
(28) M. krakowskie	181,6	76,3	13,2	88,6	22,0	25	82,0	6,6	8	88,3	8,3	7
(29) Kwidzińskie	157,4	78,5	6,4	83,4	21,4	26	79,2	10,6	13	96,8	5,9	6
(30) Legnickie	198,8	85,4	7,3	68,4	21,7	32	77,8	15,2	20	85,1	2,6	3
(31) Łęczyńskie	241,0	95,6	17,0	51,8	9,8	19	65,1	11,0	17	86,4	3,0	3
(32) Lubelskie	424,0	89,0	16,5	62,6	15,0	24	76,5	7,4	10	86,0	7,2	8
(33) Łomżyńskie	327,2	91,3	28,5	42,6	5,6	13	50,5	5,7	11	83,5	11,6	14
(34) M. łódzkie	84,5	97,7	35,0	24,8	4,3	17	41,1	3,6	9	82,1	6,6	8
(35) Nowosolskie	184,7	34,8	7,7	37,1	11,1	30	34,8	8,3	24	71,1	14,6	21
(36) Ostrołęckie	478,0	86,8	11,8	59,5	9,9	15	70,3	12,1	17	82,8	7,5	9
(37) Opole	429,8	87,1	5,5	73,8	20,3	28	84,6	12,9	15	91,1	3,5	4
(38) Ostrołęckie	286,6	97,4	41,9	33,1	2,6	20	21,8	3,1	14	61,9	9,9	16
(39) Półbiskie	317,8	96,1	29,3	36,7	5,3	14	54,8	8,2	14	84,7	4,4	5
(40) Pleszewskie	328,5	96,3	37,6	33,8	4,9	21	39,8	4,5	11	78,3	7,5	10
(41) Pleskie	340,8	96,0	25,8	35,0	10,4	19	64,3	9,8	15	90,3	5,0	6
(42) Pleskie	474,3	95,2	21,1	42,4	8,2	19	61,6	11,0	18	86,7	2,6	3
(43) Przemyskie	187,9	82,1	6,7	78,0	24,3	31	79,8	9,0	11	92,2	6,1	7
(44) Radomskie	392,3	90,8	33,3	31,3	4,5	14	39,9	4,6	12	84,3	11,6	14
(45) Rzeszowskie	225,1	80,6	15,0	65,8	19,2	29	64,6	9,0	13	87,6	9,1	10
(46) Siedleckie	408,0	96,5	31,1	34,3	5,7	17	49,1	4,7	10	85,0	13,1	15
(47) Skierniewickie	285,4	96,4	34,9	29,9	6,6	22	42,0	4,2	10	90,0	5,8	7
(48) Sierpeńskie	264,1	95,4	28,1	35,2	8,4	24	51,7	8,6	17	85,9	8,3	10
(49) Sierpeńskie	264,3	96,5	24,9	41,2	3,7	9	59,3	7,7	13	84,6	6,5	8
(50) Sierpeńskie	332,1	76,3	10,1	59,3	5,5	9	65,3	15,1	23	67,2	7,6	11
(51) Sierpeńskie	400,9	96,5	10,6	47,0	9,4	20	71,4	13,3	19	91,5	6,2	7

[Table continued on following page]

Table 1. [Continued from preceding page]

(52) Tarnobrzeg	299.5	84.3	14.6	19	64.9	13.7	21	66.1	11.1	17	83.7	9.9	12	133.8	51.3
(53) Tarnobrzeg	237.4	82.8	13.7	17	72.6	10.7	29	67.5	6.1	9	92.5	9.7	10	118.3	50.3
(54) Tarnobrzeg	319.1	89.3	16.7	19	62.6	11.6	19	74.7	11.4	15	87.3	1.8	2	132.5	41.5
(55) Walsztyn	172.6	77.0	1.1	1	82.3	22.6	27	83.0	15.5	18	86.9	3.9	4	74.7	43.1
(56) Walsztyn	272.7	87.6	25.3	29	49.8	11.2	22	56.2	8.8	16	83.8	2.4	3	133.1	67.7
(57) Walsztyn	132.9	88.0	7.9	9	64.2	18.9	29	77.8	11.2	16	85.9	3.3	4	137.1	41.3
(58) Zielona Gora	603.3	84.8	7.4	9	74.5	25.1	34	89.1	11.8	13	88.0	3.5	4	193.3	48.0
(59) Zielona Gora	267.1	95.7	26.3	27	37.3	7.0	26	43.5	11.3	26	79.4	3.4	4	133.3	48.0

Notes: K - percentage of arable land naturally favorable for cultivation of given grain.

Z - percentage of arable land sown with given grain.

Z:K - ratio of area sown to naturally favorable area (in percent).

Key:

1. Province	19. Elblag	40. Piotrkow
2. Arable area in thousands of hectare	20. Gdansk	41. Plock
3. Rye	21. Gorzow Wielkopolski	42. Poznan
4. Wheat	22. Jelenia Gora	43. Przemysl
5. Barley	23. Kalisz	44. Radom
6. Oats	24. Katowice	45. Rzeszow
7. Four grains	25. Kielce	46. Siedlce
8. Cropland in thousand hectares	26. Konin	47. Sieradz
9. Percentage of arable land	27. Koszalin	48. Skierniewice
10. Poland	28. Krakow City	49. Slupsk
11. Warsaw Capital	29. Krosno	50. Suwalki
12. Biala Podlaska	30. Legnica	51. Szczecin
13. Bialystok	31. Leszno	52. Tarnobrzeg
14. Bielsko Biala	32. Lublin	53. Tarnow
15. Bydgoszcz	33. Lomza	54. Torun
16. Chelm	34. Lodz City	55. Walbrzych
17. Ciechanow	35. Nowy Sacz	56. Wloclawek
18. Czestochowa	36. Olsztyn	57. Wroclaw
	37. Opole	58. Zamosc
	38. Ostroleka	59. Zielona Gora
	39. Pilske	

Insofar as take-over of part of the acreage of rye or oats for cultivation of barley is concerned, such action may be advisable in relation to farm-soil complexes No 4, 5, 10 and 11, especially where wheat cultivation encounters rather severe natural limitations (complex 5).

Substitution of barley for rye and oats may be successful in such provinces as: Warsaw, Biala Podlaska, Krakow, Lublin, Lodz, Siedlce, Sieradz, Tarnow--in which the index of sown area to naturally favorable areas shows the lowest values (Table 1).

Allocating areas sown with rye or oats (at average national yields during 1979-1981 respectively: 2.16 t/ha and 2.26 t/ha) for cultivation of barley (average yields 2.72 t/ha) is equivalent to an average harvest increase of 0.51 tons of grain from one hectare. Variant b (Table 2) gives an example of such a solution.

We will consider the method based on an increase in grain crop area from the aspect of increasing the acreage of wheat and barley. An increase in wheat cultivation on land corresponding to 1 percent of the arable areas means an addition grain volume, on a national scale, of approximately 420,000 tons, and barley, on the order of 400,000 tons per year. Therefore, in order to make up the grain shortage it would be necessary to increase the wheat cultivation area by approximately 12 percent, i.e., by 1,754 thous ha, and barley by approximately 12.5 percent, i.e., by 1,828 thous ha (Table 2, variants c and d). Of course, such a solution to the grain problem is not very realistic if only from the standpoint that the acreage of other crops cultivated on good soils, suitable for wheat and barley, would be automatically reduced, or from the standpoint of the need to make an essential improvement in the system of crop rotation, which would be difficult to do on such a large scale. Nevertheless, it is possible to expand the cultivation of wheat or barley at the expense of non-grain crops and these possibilities must be utilized to a reasonable degree (within several percentage points of arable lands), thus alleviating the mentioned shortage. In summing up the proposals contained in variants a, b, c and d, it may be said that the most realistic solutions intended to reduce the grain shortage lie in the combined method (Table 2, variant e) which provides for both an increase in the share of wheat (mainly at the expense of rye) and a small increase in the total grain acreage in arable lands (by approximately 2.4 percent), mainly in favor of wheat and barley. Such a solution would ensure an increase in annual grain production, on a national scale, of over 1.5 million tons. But it should be borne in mind that changes in crop structures may be made only through very prudent action, taking into account the adverse effects of administratively imposing a structure of production in agriculture (7).

Factors Which Determine Grain Yields

Grain yields, just as yields of other crops, are dependent on various factors (and their mutual relationships) acting directly or indirectly on production results. In addition to natural and agrotechnical factors⁶, yields are affected by spatial-organizational factors, the condition of the infrastructure, and others.

Table 2. Examples of Improvements in Crop Structures and Their Effects

(1) Wybrane warianty rozwiązania	(2) Udział abdo w powierzchni GO w proc. °		(3) Plany w latach 1970—1981 w 1/100						procent 4 abdo w roku i	
	(5) 4 abdo	(6) tyto	(7) po- sion	(8) po- sion	(9) tyto	(10) po- sion	(11) tyto	(12) po- sion		
(10) Stan w 1960 r. °	47,6	30,8	11,0	9,0	6,8	2,16 (2,16)	2,88 (2,66)	2,72 (2,59)	2,36 (2,35)	17,03 (16,41)
a	47,6	14,8	17,0	9,0	6,8	2,16	2,88	2,72	2,36	17,06
b	47,6	17,8	11,0	13,0	5,8	2,16	2,88	2,72	2,36	17,34
c	59,6	30,8	23,0	9,0	6,8	2,16	2,88	2,72	2,36	22,00
d	60,1	30,8	11,0	21,5	6,8	2,16	2,88	2,72	2,36	22,00
e	50,0	16,0	17,0	11,0	6,0	2,16	2,88	2,72	2,36	18,56

*For purposes of comparability, average data from 1978-1981 were used; 1980 grain yields and harvests, according to Main Statistical Office, are shown in parentheses.

Years of 1980.

Key:

- | | | | |
|----|--|-----|-------------|
| 1. | Selected variants of solutions | 6. | Rye |
| 2. | Share of grain in arable area, by percentage** | 7. | Wheat |
| 3. | Yields during 1978-1981 in tons per hectare | 8. | Barley |
| 4. | Production of four grains in millions of tons | 9. | Oats |
| 5. | Four grains | 10. | As of 1980* |

An analysis, by the stepwise regression method, of yields of the four grains and various parameters representing natural and economic conditions (the data were for 1978-1981 by province) showed that in our country yields depend primarily on the quality of the natural environment, the amount of artificial fertilization, and the area structure of the private farms. According to the regression coefficients calculated, an increase of grain yields amounting to 100 kg per 1 ha in the period of time studied could be obtained by improving the farm quality of the productive space by 8.1 points (on the IUNG scale [Institute of Cultivation, Fertilization and Soil Science]), or by increasing the amount of artificial fertilization by 11.4 kg of nitrogen-potassium-phosphate per 1 hectare, or by enlarging the average private farm area by 1.9 ha of arable land (3).

The variability of natural factors, which include soil, water, weather and geomorphological conditions (just as the agrotechnical conditions--cultivation, fertilization, use of pesticides, disease-preventatives, etc.) may be responsible for the reduction or detection of the genetically determined productive potential of varieties or sorts of grain crops, because yield is the quantitative result of genotype (8).

Improvement of quality of agricultural productive area through various land-reclamation measures (improvement in water ratios, mechanical composition, reaction, poor relief) is not only a very important factor in increasing yields, it also facilitates introduction of desirable changes in crop structures. If such measures are executed, for example, part of the lands now in the No 3 and 5 complexes, which are quite risky insofar as yields of wheat and barley are concerned, can be used for the cultivation of those crops. The provinces which have a large share of light, sandy soil, in the central, northern, and northeastern parts of the country, are those which require land improvement most of all.

The grain yields obtained in Poland currently are far from what could be obtained if natural-environment conditions were better. Most of the shortfalls in four-grain yields, in relation to environmental quality (1978-1981), occur in the southeastern part of the country, in the Krakow, Przemysl, Rzeszow, Tarnobrzeg and Tarnow provinces. In this region the yield index per 1 point of productive-space agricultural quality (p.s.a.q.) is an average of 31-32 kg grain, while the national index is about 36 kg (3). The principal causes of the poor utilization of the natural conditions in these provinces include poor farm spatial structure (a large number of very small private farms,⁸ a burdensome patchwork of lands) and inadequate artificial fertilization⁹.

Of course, the amount of means of production available to agriculture (fertilizers, pesticides, machines and equipment) is extremely important to grain yield. The effect of fertilization on production results is known best. The grain yield in our country today is low in comparison to the amount of artificial fertilization, except that in private farming these ratios are much better than in the state sector (5). Studies by Czuba and others (2) show that in grain production the highest fertilization effectiveness in Poland was obtained during 1976-1978, when 250-300 kg of nitrogen-potassium-phosphate (NPK) per hectare were applied.

At an average fertilization on the order of 190 kg NPK/ha (1978-1981) the highest consumption of artificial fertilizers was recorded in the provinces located in the western part of the country. A comparison of results of artificial fertilization in four-grain yields during this period confirms the long-known rule that yield increases shrink as fertilizer doses are increased (Liebig, Mitscherlich). In the group of provinces with the highest amounts of fertilization (an average of approximately 267 kg NPK/ha) and very high p.s.a.q. indexes (an average of 80 points IUNG: Elblag, Legnica, Leszno, Opole, Szczecin, Wroclaw), production results, an average of 40 kg grain per 1 point p.s.a.q., are close to those obtained in provinces which also have a high amount of artificial fertilization (an average of approximately 252 kg NPK/ha), but average farmland qualities (62 points p.s.a.q. average: Koszalin, Pilsk, Slupsk, Zielona Gora) where these indexes are on the order of 38 kg grain per 1 point p.s.a.q. (3). Hence the conclusion that amounts of fertilization in provinces with moderate natural environmental qualities, those located in the central and eastern parts of the country, should be increased.¹⁰ Furthermore, considering the favorable ratio of yield increases to increased artificial fertilization on private farms, it would be advisable to allot more fertilizers to this sector (3).

The amount of tractors supplied to agriculture (an average of 23.5 ha of arable land per tractor during 1978-1981) varies greatly: from 15.5 ha in Opole province to 41.8 ha in Ostroleka province. In view of the relatively low numbers of tractors in our agriculture, and also the marked difficulties in recent years in operating these tractors (the lack of spare parts), this factor still has no important effect on the amount of grain yields (3). But an improvement in the spatial-organizational structure of farming, as we said earlier, is an important factor in improving agricultural results. The fault of this structure lies mainly in the burdensome patchwork and the extremely large number of very small private farms. An examination of the spatial structure of Polish agriculture (1) shows that elimination of the patchwork of private farmlands is most critically needed in the eastern and southeastern parts of the country. Next, elimination of the same problem in the western part of the country (integration of small patchwork parcels into larger, fully-equipped farms), and finally, farm-integration in the strip of provinces running along the western and southern borders of the country. Further work involves supplying farms with more equipment if four-grain yields are to be increased.

Grain yields show a basic connection with the arable land area falling per one village, which is, in a certain sense, a simplified measure of the concentration of the settlement network; production results grow (3, 9) as concentration increases. Thus this is another argument in favor of promoting concentrations of village settlements in spatial planning.

Technical infrastructure, and particularly roads, are an important element influencing the production of grain. Studies covering 1978 to 1981 show that a grain yield increase of 100 kg per hectare was linked with a growth in the density of the hard-surface road network of approximately 50 km per 100 sq km of area (3).

Also important to production results are the amount and type of services rendered to agriculture (particularly in the way of mechanization), and the efficiency of the supply and sales organization, etc. It is especially important that the private sector be furnished more mechanical equipment than heretofore, which will not only increase production per unit of land area but will also increase labor productivity on these farms.

Attention should also be given to the need to quickly reduce the enormous losses involved in all functions of harvesting, storing, transportation, processing, and handling of sales of semifinished and finished grain products, as an important way of alleviating the shortage of grain in our country.¹¹

Conclusions

Under present socioeconomic conditions, the potentials existing in the improvement of crop structures should be utilized by increasing the share of wheat (and also barley), mainly at the expense of other grains, and introducing higher-yield varieties.. A production increase of 1.5 million tons per year is possible, for example, (excluding effects of more productive varieties) simply by increasing the share of wheat in crops, mainly at the expense of rye, and by a small increase in the total acreage of grain in favor of wheat and barley.

It is also essential that the quality of the agricultural quality of productive space be further and systematically improved, that agriculture be supplied more means of production, that the spatial structure of private farms be improved, etc.

--Improvement of lands through various land-reclamation measures should facilitate introduction of desirable changes in crop structures, e.g., increase cultivation of wheat and barley within the No 3 and 5 farm-soil complexes.

--Most desirable from the standpoint of its yield-productiveness and protective action is an increase in amounts of fertilizers and pesticides. Amounts of artificial fertilizers should be increased primarily in areas of low natural-environmental qualities (the central and eastern parts of the country) and in the private sector. The lessening of the effectiveness of artificial fertilization, as it is applied in larger quantities, should be counteracted by better adaptation of other yield-producing agents to growing fertilizer doses. It is also important to improve the fertilization of soil intended for grain crops.

--Most of the needs for farm equipment, intended for improvement of the spatial structure of private farms, are in the eastern and southern parts of the country.

--The amount and type of services rendered to agriculture must be improved. It is advisable that disproportions in the degree of mechanization between the state farms and the peasant farms be eliminated by giving the latter more mechanized equipment and improving the utilization of the machinery and tractor pool which is at the disposal of the Agricultural Circle's Cooperatives. These measures, in addition to increasing production, will also increase labor productivity in the private sector.

The grain shortage can be alleviated by reducing the enormous losses caused by mistakes in agrotechnology and in all activities involving harvesting, transporting, storing, refining and processing of grain.

Grain production can be increased, just as agriculture as a whole, by expanding the various branches of industry, and must be constantly supported by farm policy and corresponding actions of a legal and administrative nature.

FOOTNOTES

1. In 1983 we were able to procure scarcely 2 million tons of grain.
2. During 1978-1981 ranged from 6.9 to 7.1 million hectares.
3. The wrong varieties of grain were sown on at least 10 percent of the croplands (6).
4. Also high-gluten wheat which we are importing for the production of noodles, macaroni, etc.
5. Reference is to storage grain yields (statistical) which are approximately 10 to 12 percent lower than biological yields (11).
6. According to IERiGZ [Institute for Agricultural Economics and Food Economy] figures, half of the grain in Poland is sown in poor areas in badly-prepared soil, almost one-third of the rye, wheat and spring crops are sown too late, and 40 to 60 percent of the soil surface allocated for grain is improperly fertilized.
7. On the better soils the differences in yields are small (0.2-0.3 tons per hectare), but on the poorer soils a one-class increase in quality produces an 0.5-0.6 tons per hectare increase in yield (10).
8. The average size of private farms during 1978-1981 varied from 2.1 hectares (Krakow province) to 3.8 hectares of cropland (Tarnobrzeg province) as compared with the national average, which was 4.7 hectares of cropland.
9. Nitrogen-potassium-phosphate fertilization during 1978-1981 ranged from 121 kg per hectare in the Tarnow province to 191 kg per hectare of cropland in Krakow province.
10. In the interest of more effective effective utilization of increased doses of fertilizer in those areas where, in general, production factors are low, other production factors should be improved at the same time (4).
11. According to IERiGZ, total grain losses on the way from the fields to the consumer's table amount to approximately 3.8 million tons (6).

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9295

CSO: 2600/935

BRIEFS

GOVERNMENT CAPITAL PROJECT ORDERS--The Presidium of the Planning Commission under the Council of Ministers met on 24 April to discuss proposals concerning capital investment projects slated to be completed in 1985 under the terms of government orders. Identifying the capital projects which will fall into this category is one of the key elements of work on the drafting of the 1985 Central Annual Plan. In keeping with decisions made at the National Conference of PZPR delegates, this work is slated to be greatly speeded up. Government orders covering capital investment projects were inaugurated last year. They are designed to speed up the completion of capital construction work of critical economic and social importance. This year, 20 government mandated capital projects, 33 enterprise sponsored projects, and several land reclamation projects are covered by this system. These projects enjoy guaranteed access to supplies of fuels, raw materials, and fabricating materials. Proposals for government capital project orders for 1985 were spelled out after consultations with representatives of the construction industry and the parent agency investors on the basis of analyses of work progress reports, projected project completion dates, expected project dividends, and materials availability. In the wake of the tentative decisions which were made it emerges that the list of capital projects covered by government orders will be somewhat longer in 1985. Work on the finalization of these capital project proposals will continue through the end of May. The final draft of the list of these important projects will be submitted to the Council of Ministers for a final decision. [Text] [Warsaw TRYBUNA LUDU in Polish 25 Apr 84 p 2]

NEW ELECTRICAL CONDUIT PLANT--A new production department was opened on 30 April at the Marian Buczek Iron and Steelworks in Sosnowiec. Using equipment imported from the GDR, this new department will manufacture electrical service conduit piping for the machine building and construction industries. By the time the department is operating at full capacity it will be turning out approximately 4,000 tons of conduit annually. This conduit manufacturing operation is based exclusively on the use of domestically available raw materials. [Text] [Warsaw ZYCIE WARSZAWY in Polish 1 May 84 p 6]

PORT OF GDANSK TRAFFIC--A recordbreaking level of cargo handling activity has been reported at the port of Gdansk, where 37 vessels are docked as of right now. All categories of cargo are being on- and off-loaded, i.e., coal, oil, general cargo, lumber, and grain. [Text] [Warsaw ZYCIE WARSZAWY in Polish 1 May 84 p 6]

FORTY YEARS OF CHEMICAL DEVELOPMENT REVIEWED

AU181138 Bucharest AGERPRES in English 1047 GMT 18 May 84

[Text] Bucharest, 18 May (AGERPRES)—Romanian chemical industry benefited throughout the 1950-1983 period of the largest investments funds for the development of its productive potential. The period marked the commissioning of more than 2,000 productive units, some of them being large combines and complexes, like those at Savinesti, Borzesti, Pitesti, Craiova, Bucharest, Iasi, Navodari, etc. Over 1965-1983 alone, more than 1,500 major productive units were built and commissioned, covering every branch of chemistry and petrochemistry. Among them the chemical fertilizer combine at Turnu Magurele, on the Danube Bank.

Conceived as a gigantic construction, the chemical combine at Turnu Magurele developed impetuously in the almost two decades of existence: as compared with five productive units in 1965, it has now 26 factories and the number of products turned out there grew more than fivefold. It produces more than twenty chemicals: ammonia, sulphuric acid, urea, phosphoric acid, complex fertilizers, etc. It operates also a works turning to use pyrite ashes which is tone in the country. [as printed]

As compared with 1965, when Romania turned out a chemical fertilizer production of 292,772 tons, the total amount of fertilizers this year will amount to 3.6 million tons produced by ten large combines, like those at Craiova, Tirgu Mures, Slobozia, Valea Calugareasca, Roznov, Bacau, Arad, etc. Some one-fifth of the current production of Romania's chemical fertilizers is supplied by the Turnu Magurele combine which is the next big producer of the branch, after the one at Craiova.

Romania now exports chemicals to some 100 countries.

CSO: 2020/91

MEASURES ON IMPLEMENTING CREDIT-MONETARY POLICY IN 1984

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 18, 13 Apr 84 pp 518-527

[Order issued by the Board of Governors of the National Bank of Yugoslavia in Belgrade, 2 March 1984, and signed by Radovan Makic, governor and chairman of the Board of Governors of the National Bank of Yugoslavia]

[Text] I. General Provisions

1. The National Bank of Yugoslavia, in order to regulate the quantity of money in circulation, sets forth in this order the conditions for use of primary note issue for the purposes specified in the Order on the Goals and Tasks of Joint Note Issue and Monetary Policy and the Joint Bases of Credit Policy in 1984 (hereinafter referred to as the "Order on Goals in 1984"), as follows:

- 1) for purchase through banks of short-term negotiable instruments issued by organizations of associated labor or their internal banks on the basis of commodity-money transactions and for the issuance of short-term credits to banks on the basis of such paper and on the basis of foreign paper held by organizations of associated labor;
- 2) for selective monetization of commercial paper issued by organizations of associated labor on the basis of commodity-money transactions within the limits of the specified selective purposes and on the basis of other specified documents arising out of such transactions;
- 3) for selective monetization of claims of the Yugoslav Bank for International Economic Cooperation (hereinafter referred to as the "Yugoslav Bank") against banks for the purpose of supplemental credit financing of transactions in the export of equipment and ships and the performance of work on capital investment projects abroad on credit;
- 4) to grant short-term credits to banks on the basis of certain credits which banks have granted to individuals on the basis of a final sale of foreign exchange from their foreign exchange accounts and foreign exchange savings accounts (hereinafter referred to as "foreign accounts of individuals").

This order hereby sets forth the conditions for use of primary note issue for the purposes referred to in Paragraph 1 of this point with respect to the proportion of primary note issue, computation of the base for the proportion of primary note issue, repayment periods, the resources used, documentation to serve as the basis for use of primary note issue, and the particular conditions of creditworthiness prescribed by the Order on Goals in 1984 and the Order on Achievement of the Goals and Performance of the Tasks of Joint Note Issue and Monetary Policy and the Joint Bases of Credit Policy (hereinafter referred to as the "Order on Achievement of Goals in 1984"). The other conditions of the use of primary note issue have been regulated in the Order on General Conditions, Manner and Procedure for Use of Primary Note Issue and Repayment of Primary Note Issue (SLUZBENI LIST SFRJ, No 14, 1984)--(hereinafter referred to as the "Order on General Conditions").

2. The use of primary note issue under this order shall be denied to banks which do not meet the conditions of creditworthiness and financial discipline, in conformity with Points 15 through 20 of the Order on General Conditions, Points 7 through 9 and Points 11 and 13 of the Order on Achievement of Goals in 1984.

II. Purchase of Securities and the Granting of Credit to Banks on the Basis of Those Securities

3. Primary note issue for the purposes enumerated in Point 1, Subparagraph 1, of this order shall be used in 1984 as follows:

1) to purchase through banks bills of exchange issued with maturity less than 90 days and with bank endorsement which have been issued by organizations of associated labor in the business sector or by their internal bank pursuant to the provisions of the Law on Securing Payments Among Users of Social Assets (SLUZBENI LIST SFRJ, Nos 60, 1975; 13, 1976; 22, 1976; 31, 1983; and 70, 1983)--(hereinafter referred to as the "Law on Security of Payment");

2) to grant credits to banks on the basis of the bills of exchange referred to in Subparagraph 1 of this point, endorsed by a bank or other users of social assets;

3) to grant credits to banks on the basis of foreign securities [commercial paper] held by organizations of associated labor.

4. Through banks the national bank shall purchase from organizations of associated labor in the business sector or from their internal banks the bills of exchange referred to in Point 3, Subparagraph 1, of this order which are within 30 days of maturity and which do not have a face value exceeding 300,000 dinars, provided those organizations or their internal banks, as creditors in commodity-money transactions, have obtained them from other organizations of associated labor in the business sector or from their internal banks.

The bills of exchange referred to in Subparagraph 1 of this point shall be purchased by the national bank if the following conditions have been met:

1) if the bills of exchange contain the essential elements envisaged by the Law on the Bill of Exchange (SLUZHBI LIST FNRJ [OFFICIAL GAZETTE OF THE FEDERAL PEOPLE'S REPUBLIC OF YUGOSLAVIA], No 104, 1946, and SLUZHBI LIST SFRJ, Nos 16, 1965, and 54, 1970) and the Law on Security of Payment, and if the conditions have been met for the issuance and endorsement of those bills of exchange in the context of that law;

2) if the bills of exchange have been discounted by the banks through which the national bank is purchasing them, if before that discounting they have been used at least once by endorsement as a payment instrument in commodity-money transactions of organizations of associated labor in the business sector, if they have been in that bank's portfolio at least 25 days, and if they have been endorsed over to the national bank.

The national bank shall not purchase bills of exchange within 10 days of their maturity reckoned from the date of receipt of the bills of exchange in the national bank, bills of exchange endorsed to the issuer or remitter, nor bills of exchange issued or endorsed in connection with distribution of joint revenues realized among members of the internal bank or on some other basis other than commodity-money transactions.

5. The national bank shall issue short-term credits to banks on the basis of bills of exchange which may under Point 4 of this order be purchased through banks regardless of the individual nominal value of such bills of exchange, the time they have been held in the bank's portfolio, the time remaining to their maturity, and also regardless of whether these bills of exchange have been endorsed by banks or other users of social assets.

6. The national bank shall purchase the bills of exchange referred to under Subparagraph 1 and shall grant credits to banks as referred to under Subparagraph 2 of Point 3 of this order at 55 percent of the nominal value of the total portfolio of such bills of exchange which the bank has previously discounted, according to the book value of such bills of exchange in the bank, plus the amount of the bills of exchange which the bank has rediscounted with the national bank and which have not matured.

The banks are required to submit monthly reports on use of primary note issue and on the portfolio of bills of exchange as referred to in Paragraph 1 of this point. The bank shall file that report with the national bank from which it is using primary note issue, on the form and in the manner which conform to the instructions set forth by the National Bank of Yugoslavia.

7. The national bank shall grant short-term credits to banks on the basis of foreign securities [commercial paper] as referred to in Subparagraph 3, Point 3, of this order on the basis of bills of exchange and other foreign securities marketable on foreign securities exchanges and held by organizations of associated labor on the basis of exports of goods and services completed and on the basis of which the bank issued credits to those organizations.

The national bank shall issue credit as referred to in Paragraph 1 of this point in a proportion not to exceed 55 percent of the amount of the dinar equivalent of the nominal value of the foreign securities maturing within 3 months, reckoned from the date the credit is extended to the date of maturity of that paper, but not to exceed the amount of credit which the bank issued to organizations of associated labor on the basis of that paper.

8. Paper which an organization of associated labor has obtained on the basis of a transaction for which primary note issue is used through selective monetization may not be used in posting security for use of primary note issue on the basis of Point 3 of this order.

III. Use of Primary Note Issue by Means of Selective Monetization on the Basis of Commodity-Money Transactions in the Framework of Specified Selective Purposes

9. In 1984 the National Bank of Yugoslavia shall see that a portion of primary note issue is used through selective monetization as a support for achieving selective goals of credit-monetary policy for the purposes enumerated in Point 5, Paragraph 3, of the Order on Goals in 1984, as follows:

- 1) for the export of goods and services which ensure an inflow of foreign exchange;
- 2) for socially organized production and inventories of specified agricultural products and foodstuffs;
- 3) for market commodity reserves of agricultural products and foodstuffs as referred to in Subparagraph 2 of this point;
- 4) for the sale or purchase of domestic equipment, ships and rail vehicles on credit within the country;
- 5) for seasonal inventories of coal in coal mines, at thermal electric power plants and on the premises of other large coal consumers in the economy and in the trade sector in major centers of consumption;
- 6) for imports pursuant to the regulation issued on the basis of Point 5, Paragraph 6, of the Order on Goals in 1984.

1. Use of Primary Note Issue for Transactions in the Exporting of Goods and Services

10. Banks may use primary note issue for transactions in the exporting of goods and services (Point 9, Subparagraph 1) by means of selective monetization:

- 1) for exports of goods and services for cash;
- 2) for exports of goods on commercial credit;

- 3) for exports of goods and services on credit to the developing countries;
 - 4) for accounts receivable based on exports of equipment and ships on credit and for the performance of work on capital investment projects abroad on credit;
 - 5) for the production and preparation of goods for export;
 - 6) for the preparation of tourist and hostelry organizations of associated labor to render services to foreign tourists;
 - 7) for the production and preparation of goods for export under contract arrangements and to be paid for in cash and financed by the International Bank for Reconstruction and Development, its affiliates and EUROFIMA [European Corporation for Financing Railway Rolling Stock];
 - 8) for accounts receivable from the International Bank for Reconstruction and Development on the basis of work performed and paid for and equipment installed at capital investment projects in Yugoslavia;
 - 9) for accounts receivable whose collection is deferred pursuant to a specific federal law.
11. Banks may use primary note issue for monetization on the basis of completed exports of goods and services for cash (Point 10, Subparagraph 1):
- 1) up to the proportion of 65 percent of the amount which organizations of associated labor have used from the bank through selective monetization on the basis of exports of goods and services whose payment has been contracted for in convertible currencies, provided the final date for repayment shall not exceed 90 days;
 - 2) up to the proportion of 62 percent of the amount which organizations of associated labor have used from the bank through selective monetization on the basis of exports of goods and services concerning which the clearing method of payment has been contracted for, providing the final period for repayment may not exceed 30 days.

The banks may use primary note issue for the purposes covered by this point on the basis of lendings for those purposes which they have made to organizations of associated labor through monetization on the basis of a document on a completed export of goods which has been certified by a customs house (export customs declaration) and a document on services performed for foreign customers (bill, list of work items or sales agreement, contracts with the foreign customer from which it is possible to ascertain the amount, schedule and manner of payment for services rendered, a contract concluded between a domestic tourist and travel agency and a hostelry-hotel organization of associated labor concerning mutual rights and obligations with respect to use of monetization from the bank, and other documentation from which it is possible to ascertain the amount of the account receivable from abroad and other export documentation).

The customs declaration referred to in Paragraph 2 of this point, in which two organizations of associated labor or several organizations of associated labor are mentioned as coparticipants in the export transaction, shall be replaced by a specification for the use of monetization certified by the national bank in whose jurisdiction the headquarters of the exporter is located in a number of copies equal to the number of coparticipants in the export transaction, each copy to be certified next to the name of the coparticipant to whom the copy of the specification pertains. Aside from the other essential elements contained in the customs declaration, that specification shall contain the following: the signature of the coparticipant in that export transaction, the amount of the foreign exchange account receivable and dinar equivalent to which each participant is entitled and a clause to the effect that the customs declaration referred to in the specification has been canceled and has become invalid for use of monetization.

For the purpose of this order accounts receivable which banks have monetized on the basis of a contract on the production of equipment and ships for export and contracts on performance of services abroad shall be equivalent to accounts receivable for the export of goods and services referred to in this point, as follows:

- 1) up to the amount of the value of the individual phase completed, if the contract calls for payment by phases;
- 2) up to the amount of advances stipulated in the contract if the contract has provided for the payment of advances, provided the advance comes due within the period stated in Paragraph 1 of this point, reckoned from the date of monetization by the bank, and that repayment of the resources used is secured.

From the standpoint of the level of proportion of primary note issue monetization of the accounts receivable of organizations of associated labor for the export of goods and services to the bilateral payments area related to specified long-term intergovernmental arrangements, according to a list issued by the Federal Executive Council, shall be equivalent to accounts receivable for exports of goods and services as referred to in Subparagraph 1, Paragraph 1, of this point.

In the cases of exports in the framework of long-term industrial cooperation between a domestic organization of associated labor and a foreign trading partner, when settlement is made through an open account, selective monetization may not exceed the amount of the claim of the domestic organization of associated labor under that account.

For the purpose of this order "services" means transactions in the context of Article 63 of the Law on Foreign Commerce (SLUZHBI LIST SFRJ, Nos 15, 1977; 17, 1978; and 5, 1982).

The periods for repayment of resources used under this point shall begin to run from the date the goods go through customs or the date when the service was rendered, pursuant to the Decree on Determination of the Date of Performance of Services in Foreign Trade (SLUZHBI LIST SFRJ, No 2, 1978).

In exceptional cases the repayment period referred to in Paragraph 1 of this point may be extended to a total not to exceed 180 days, provided the organization of associated labor which realized selective monetization on that basis submits to the bank the decision of the national bank extending the period for repatriation of the foreign exchange, issued in conformity with the provisions of the Law on Foreign Exchange Transactions and Credit Relations With Foreign Countries (SLUZBENI LIST SFRJ, Nos 15, 1977; 61, 1982; 77, 1982; 34, 1983; and 70, 1983)--(hereinafter referred to as the "Law on Foreign Exchange Transactions") and regulations issued on the basis of that law.

Within the period referred to in Paragraphs 1, 4 and 9 of this point, in conformity with the collection periods which organizations of associated labor had stipulated in contracts with foreign customers, the banks shall contract for return of the resources used through monetization of accounts receivable on the basis of exports of goods and services by organizations of associated labor and the period for repayment of primary note issue to the national bank in conformity with the period for making collection of the account receivable on the basis of exports. Accordingly, the banks shall within the period referred to in Paragraphs 1, 4 and 9 of this point simultaneously make collection from the organization of associated labor and repay the primary note issue used for those transactions in the exporting of goods and services.

The date of collection referred to in Paragraph 10 of this point is understood to be the date of collection determined in accordance with the Law on Foreign Exchange Transactions or in accordance with regulations issued on the basis of that law.

If within the period referred to in Paragraphs 1, 4 and 9 of this point the organization of associated labor does not repatriate the foreign exchange realized on the basis of exports and goods and services monetized under this point, the bank is required on the basis of the amount of foreign exchange which has not been repatriated on schedule to immediately collect the resources used on the basis of monetization from that organization in the appropriate amount.

The final date for repayment of primary note issue which has been used under Paragraphs 10 and 11 of this point may not be longer than 5 days from the date when the amount of foreign exchange was extended to the account of the authorized bank, it being further provided that that final period may not be longer than the period stated in Paragraphs 1, 4 and 9 of this point.

12. The banks may use primary note issue for monetization of accounts receivable arising out of the transactions of exporting goods on commercial credit (Point 10, Subparagraph 2) up to the amount of 60 percent of their claims against organizations of associated labor on the basis of monetization of accounts receivable for that purpose on the basis of documents on the completed export of goods certified by the customs house, contracts with foreign customers from which it is possible to ascertain the type of commodity being exported, the schedule of that exporting, the maturities and manner of repayment of commercial credit, and the relevant commercial paper, if contracts with foreign customers have envisaged such paper, provided use of the primary

note issue does not last longer than 24 months for the export of series-produced equipment, 18 months for the export of durable consumer goods, and 6 months for the export of other goods.

The banks may also use primary note issue for monetization as referred to in Paragraph 1 of this point to monetize short-term accounts receivable on the basis of exports under credit arrangements concluded with banks in the countries to which the goods are being exported.

The provisions of Point 11, Paragraph 3 and Paragraphs 10 through 13, of this order shall also pertain to the use of primary note issue for monetization covered by that point.

13. The banks may use primary note issue for monetization of accounts receivable arising out of transactions of exporting goods and services on credit to the developing countries (Point 10, Subparagraph 3) up to the proportion of 80 percent of the status of claims against organizations of associated labor on the basis of monetization of accounts receivable for that purpose on the basis of documents on completed export of goods certified by the customs house, contracts with foreign customers from which it is possible to ascertain the type of commodity being exported, the schedule of that exporting, the maturity and manner of repayment of that credit, and the relevant commercial paper if contracts with the foreign customers envisage such paper, provided the use of primary note issue does not last longer than 24 months for the export of series-produced equipment, 18 months for the export of durable consumer goods and 6 months for the export of other goods and the export of services.

The banks may also use primary note issue for monetization as referred to in Paragraph 1 of this point for monetization of short-term accounts receivable on the basis of exports of goods and services to the developing countries which take place under short-term arrangements concluded with the banks of those countries.

The provisions of Point 11, Paragraph 3 and Paragraphs 10 through 13, of this order shall also pertain to use of primary note issue for monetization covered by this point.

14. Banks may use primary note issue for monetization of accounts receivable on the basis of exports of equipment and ships on credit and for work done on capital investment projects abroad on credit (Point 10, Subparagraph 4) in a proportion not to exceed 70 percent of the amount of their claims arising out of lendings which they have made for that purpose from their own credit potential to domestic exporters and which are coming due within 24 months, reckoned from the date of use of primary note issue from the national bank.

To use the primary note issue referred to in Paragraph 1 of this point the banks shall submit to the national bank a list of the lending contracts which constitute the basis for use of primary note issue from the national bank, along with a tabulation of the payments coming due within 24 months and a repayment schedule showing the total amount of lendings from the bank's credit

potential, the date when each payment comes due, and the final date for repayment of the credit.

15. In 1984 the national bank shall allow the Yugoslav Bank to use primary note issue by monetizing the claims of that bank arising out of credits granted to banks for the credit financing of organizations of associated labor to export equipment and ships and to work on capital investment projects abroad on credit (Point 10, Subparagraph 4) up to the proportion of 35 percent of the amount of claims under credits which the Yugoslav Bank has issued for those purposes to banks, provided those claims come due within 36 months from the date of use of the Yugoslav Bank's use of primary note issue by the national bank.

In order to use the primary note issue referred to in Paragraph 1 of this point the Yugoslav Bank shall submit to the national bank a detailed list of contracts, listed by banks, with a tabulation of the payments come due within 36 months and a repayment schedule containing a total amount of credits extended, the date when each payment comes due, and the final date for repayment of the credit.

16. The banks may use primary note issue for monetization of investments of organizations of associated labor in the production and preparation of goods for export (Point 10, Subparagraph 5) up to the proportion of 35 percent of their claims against organizations of associated labor on the basis of monetization for that purpose, provided the stipulated repayment period is not longer than 3 months, the total amount of primary note issue to be committed on this basis on the territory of one republic or autonomous province does not exceed 37 percent of the primary note issue committed to monetization of accounts receivable under Points 11 through 15 and Points 18 and 19 of this order.

The total amount of outstanding use of primary note issue covered by Paragraph 1 of this point on the territory of one republic or autonomous province may exceed 37 percent of the balance referred to in that paragraph by the amount by which that balance has been reduced on the territories of other republics and autonomous provinces, in agreement with the national banks of those republics or autonomous provinces.

The banks may use the primary note issue referred to in Paragraph 1 of this point on the basis of lendings which they have made for those purposes to organizations of associated labor in the field of production through monetization on the basis of contracts with foreign customers, notices of export transactions concluded which have been certified by the national bank, or other documents proving that the production to which the monetization pertains or the preparation of goods for export will result in an export of goods, and also on the basis of documentation on costs and the structure, volume and schedule of investments in the production and preparation of goods for export.

The period for repayment of primary note issue used on the basis of monetization for the purposes covered by this point may be stipulated in the contract

to last longer than 3 months in line with the duration of the production or preparation of the goods for export, but the total repayment period may not exceed the following:

1) 6 months--if the technological process of production or preparation of the goods for export last longer than 3 months;

2) 12 months--if the reference is to production of major equipment and ships and sizable lots or series of equipment whose production cycle lasts longer than 6 months.

17. The banks may use primary note issue for monetization of investments by organizations of associated labor in preparation for rendering of tourist services to foreign tourists (Point 10, Subparagraph 6) up to the proportion of 35 percent of the balance of their claims against the organizations of associated labor on the basis of monetization for that purpose, with a period for repayment of the primary note issue not to exceed 3 months, provided the total volume of primary note issue used on that basis on the territory of one republic or autonomous province, running from 1 October to 31 December 1984, may not be greater than 5 percent of the balance of primary note issue used for monetization of accounts receivable for the purposes enumerated in Points 11 through 17 and Points 18 and 19 of this order.

The total balance of primary note issue outstanding for monetization referred to in Paragraph 1 of this point on the territory of one republic or autonomous province may be greater than 5 percent of the balance referred to in that paragraph by the amount by which that balance has been reduced on the territories of other republics and autonomous provinces, in agreement with the national banks of those republics and autonomous provinces.

The banks may use the primary note issue referred to in Paragraph 1 of this point on the basis of lendings which they made for that purpose to tourist and hostelry organizations of associated labor on the basis of contracts concluded with foreign customers directly or with domestic tourist and travel agencies or on the basis of other documents from which it is evident that the preparation pertains to tourist services to be rendered to foreign tourists.

18. Banks may use primary note issue to monetize investments in production and preparation of goods for export under contract arrangements which are to be paid for in cash and financed by the International Bank for Reconstruction and Development, its affiliates and EUROFIMA (Point 10, Subparagraph 7) up to the proportion of 50 percent of the balance of their claims against organizations of associated labor on the basis of monetization for those purposes on the basis of a contract with a foreign purchaser and evidence that the transaction covered by the contract is being financed by an international financial organization, provided that the agreed period for repayment of the primary note issue does not exceed 2 years.

19. Banks may use primary note issue to monetize accounts receivable of organizations of associated labor from the International Bank for Reconstruction and Development on the basis of work performed and paid for and equipment installed under capital investment programs in the Socialist Federal

Republic of Yugoslavia which are being financed in part with resources of the International Bank for Reconstruction and Development (Point 10, Subparagraph 8) up to the proportion of 80 percent of the amount of their claims against organizations of associated labor which are the investors on the basis of monetization for that purpose, on the basis of documents proving that the work and equipment have been paid for and that the transaction is being financed by the International Bank for Reconstruction and Development, provided the period for repayment of the funds does not exceed 3 months beginning from the date of use of primary note issue.

20. Banks may use primary note issue to monetize accounts receivable whose collection has been deferred pursuant to a specific federal law (Point 10, Subparagraph 9) up to the proportion of 65 percent of the balance of such credit which they have extended to cover such accounts receivable to the users under that law, on the basis of the decision of the competent national bank concerning deferment of collection of accounts receivable for a period not to exceed 24 months.

The provision of Point 11, Paragraphs 10 through 13, of this order shall pertain to the use of primary note issue for monetization covered by this point.

2. Use of Primary Note Issue To Monetize Investments in Socially Organized Production and for Stocks of Certain Agricultural Products and Foodstuffs

21. Banks may use primary note issue for monetization of investments in socially organized production and stocks of certain agricultural products and foodstuffs (Point 9, Subparagraph 2) as follows:

1) for the production of wheat, paddy rice, corn, sugar beets, oil-bearing crops and tobacco;

2) to fatten livestock (cattle, swine and sheep), poultry and fish, and for production of milk;

3) for seasonal stocks of domestic wheat, rough rice or rice, corn, oil crops, raw domestic oil, sugar beets, sugar and tobacco;

4) for seasonal stocks of table grapes and apples in coolers, stocks of wine in wine cellars in the socialized sector, stocks of meat in coolers and stocks of dairy products produced when in the country.

The national banks shall make the use of primary note issue on the basis of monetization for the purposes covered by Subparagraphs 1 and 2 of Paragraph 1 of this point contingent upon the obligation of the banks to ensure that when investments of organizations of associated labor for those purposes are monetized, it will not be possible for primary note issue to be used twice when the financing of those purposes has been furnished by the pooling of labor and capital under Point 24 of this order.

The national banks shall make the use of primary note issue for monetization for the purposes covered by Subparagraphs 3 and 4 of Paragraph 1 of this

point contingent upon the obligation of the banks, in using primary note issue for these purposes, if the same banks should have users of monetization for production and stocks of particular agricultural products and foodstuffs, that they guarantee that the funds used through monetization of investments in production of the products of which those stocks are formed are repaid simultaneously.

22. Banks may use primary note issue to monetize investments in socially organized production of corn (for the market and seed corn), rough rice, sunflower seed, soybeans, rapeseed for oil, olives, sugar beets and tobacco (Point 21, Subparagraph 1) up to the proportion of 40 percent, and for the production of wheat (for the market and seed wheat) up to the proportion of 50 percent, of the balance of their claims against organizations of associated labor on the basis of monetization of investments in that production, on the basis of a self-management accord or contract concerning production and delivery concluded with organizations of associated labor engaged in processing or finishing these products and on the basis of contracts concluded with the directorate or organization for reserves of foodstuffs concerning the production of wheat for the market, not to exceed 35 percent, and for the production of wheat not to exceed 40 percent of the value of the production contracted for minus the amount of funds received on the basis of pooling under Point 24 of this order.

The periods for repayment of the funds used under Paragraph 1 of this point may not be longer than 12 months reckoned from the date of commencement of their use, and they may not extend beyond the following dates: 31 July for oil rapeseed, 31 August for sunflower seed and soybeans, 31 December for olives, 30 November for rough rice, 15 December for corn, and 31 December 1984 for sugar beets, 31 March 1985 for tobacco, 15 August 1984 for wheat from the 1983/84 harvest, and 15 August 1985 for wheat from the 1984/85 harvest.

Banks may use primary note issue to monetize investments in the production of seed wheat and seed corn from the national bank on the basis of a self-management accord or compact on production and delivery concluded between organizations of associated labor which are producers and organizations of associated labor engaged in the processing or finishing and distribution of such products, provided that the contracts are registered with the Fund for Stimulating Exports of Wheat and Processed Wheat and Wheat Products.

Banks may use the primary note issue covered by this point on the basis of monetization of investments of organizations of associated labor in production of certain agricultural products on contract within the socialized sector of agriculture and for the production of associated agricultural producers [private farmers], and for the production and cooperation with private farmers, in conformity with law.

23. Banks may use primary note issue to monetize investments in the fattening of livestock (cattle, swine and sheep) and to fatten poultry (chickens, geese, ducks and turkeys) and fish, and for the production of milk (Point 21, Subparagraph 2) up to the proportion of 40 percent of the balance of their

claims against organizations of associated labor on the basis of monetization of investments for those purposes, but not to exceed 35 percent of the value of production under contract, minus the amount of funds received on the basis of pooling under Point 24 of this order.

The period for repayment of the primary note issue covered by Paragraph 1 of this point, reckoned from the date of commencement of the use of the primary note issue, may not be longer than 12 months for the fattening of cattle, 6 months for the fattening of swine and sheep, 3 months for the fattening of poultry, 6 months for the fattening of fish, and 1 month for the production of milk.

Banks may use primary note issue for the purposes covered by this point from the national bank on the basis of self-management accords or contracts on production and delivery concluded between organizations of associated labor which are producers and organizations of associated labor engaged in the processing and distribution of those products, provided the contracts are registered with the Fund for Advancement of the Production and Marketing of Livestock and Animal Products.

The provision of Point 22, Paragraph 4, of this order shall also pertain to use of primary note issue covered by this point.

24. Banks may also use the primary note issue for monetization covered by Points 22 and 23 of this order on the basis of claims based on monetization against organizations of associated labor which have pooled labor and capital on an income-sharing basis or have pooled capital in particular commodity-money transactions, provided that such pooling of capital is regulated by the self-management accord or contract on production and delivery concluded before the date of commencement of production.

Banks may use the primary note issue covered by Paragraph 1 of this point only if it can be ascertained from the contract and other documentation that the organization of associated labor which has used funds from the bank on the basis of monetization of investments covered by Points 22 and 23 of this order has the base used for monetization and use of primary note issue minus the amount of the pooled capital. The bank which uses the primary note issue under Paragraph 1 of this point is required to report this to the national bank whose jurisdiction includes the location of the producer organization of associated labor with which the pooling of capital was contracted for.

25. Banks may use primary note issue to monetize investments in seasonal stocks of certain agricultural products and foodstuffs (Point 21, Subparagraph 3) as follows: for stocks of tobacco--in a proportion not to exceed 55 percent, for stocks of domestic wheat and oil crops (sunflower seed, soybeans, rapeseed, olives and pumpkin seeds) and domestic raw oil--in a proportion not to exceed 65 percent, and for stocks of rough rice or rice, corn, sugar beets and sugar--in a proportion not to exceed 60 percent of the balance of their claims against organizations of associated labor on the basis of monetization for those stocks held by organizations of associated labor engaged in the processing or finishing and distribution of those products.

A bank may use primary note issue for the monetization covered by Paragraph 1 of this point provided the contract on monetization with organizations of associated labor provides for repayment within periods that conform to the schedule for consumption or sale of the stocks, and that schedule must be adjusted to the real needs of the unified Yugoslav market pursuant to Point 7 of the Order on Achievement of Goals in 1984. Banks which use the primary note issue for monetization covered by Paragraph 1 of this point must stipulate in the contract with organizations of associated labor their obligation to adjust the schedule for consumption or sale of the stocks to the needs of the unified Yugoslav market, and the final repayment periods, reckoned from the date of commencement of use of the primary note issue and the repayment of the primary note issue, and in the case of stocks of tobacco reckoned from the date of commencement of the use of each installment, shall not be longer than the following:

- 1) 12 months--for stocks of wheat, rough rice and rice, corn, oil crops or domestic raw oil, sugar beets and sugar, nor may they extend beyond 31 July for wheat, 30 September for oil crops and domestic raw oil, or 31 October 1985 for rough rice and rice, corn, and sugar beets or sugar;
- 2) 8 months--for stocks of seed wheat and seed corn, nor may they extend beyond 31 January for wheat and 31 May 1985 for corn;
- 3) 15 months--for stocks of tobacco, nor may they extend beyond 31 May 1986.

The provision of Point 22, Paragraph 3, of this order shall also pertain to the use of primary note issue for stocks of seed wheat and seed corn covered by this point.

26. Banks may use primary note issue for monetization of investment in seed stocks of table grapes and apples in coolers, stocks of domestic wine in wine cellars in the socialized sector, stocks of meat in coolers and stocks of dairy products produced within the country (Point 21, Subparagraph 4) in a proportion not to exceed 40 percent of the balance of their claims against organizations of associated labor on the basis of monetization of investment in those stocks, but in no case to exceed 40 percent of the value of the stocks which serve as the basis for use of monetization.

The periods for repayment of the primary note issue covered by Paragraph 1 of this point, reckoned from the date of commencement of use of primary note issue, may not be longer than the following:

- 1) 6 months--for stocks of table grapes and apples in coolers, nor may they extend beyond 30 April 1985;
- 2) 12 months--for stocks of domestic wine in wine cellars in the socialized sector, nor may they extend beyond 31 October 1985;
- 3) 3 months--for stocks of meat in coolers and for stocks of domestic dairy products.

The following may be users of primary note issue on the basis of monetization covered by this point:

- 1) for stocks of table grapes and apples in coolers--organizations of associated labor which are producers and organizations engaged in the wholesale trade in those products for the quantities stored in coolers;
- 2) for stocks of wine--organizations of associated labor engaged in the production of wine;
- 3) for stocks of dairy products--organizations of associated labor engaged in the processing of milk into dairy products;
- 4) for stocks of meat in coolers--organizations of associated labor in the meatpacking industry.

In the context of this point stocks of wine for which primary note issue for monetization may be used are understood to be stock of wine produced in conformity with the regulations of the republics and autonomous provinces.

In the context of this point stocks of dairy products for which primary note issue may be used are understood to be stocks whose quality meets the prescribed standards.

The provisions of Point 25, Paragraph 2, of this order which pertain to the obligation of repayment of resources used in conformity with the schedule for consumption and sale of the stocks shall apply to use of primary note issue under this point.

27. In addition to the documentation called for under Points 22 through 26 of this order, for use of primary note issue on the basis of monetization of investments in socially organized production and stocks of agricultural products and foodstuffs the banks shall also submit the following to the national bank:

- 1) contracts on monetization of investment of organizations of associated labor, separately for each type of production and fattening or for stock, with a tabulation of the stipulated schedule for repayment of the resources used for monetization;
- 2) bills and other documents or excerpts from bookkeeping records at the end of the previous 10-day period on the quantity and value of stocks for which primary note issue is being used under Points 25 and 26 of this order;
- 3) certification by the Fund for Advancement of Production and Marketing of Livestock and Livestock Products or of the relevant self-managing community (fund and the like) in the republic or autonomous province concerning registration of the fattening and delivery of livestock or poultry covered by the contract for which monetization is being used;

4) certification by the Fund for Stimulation of Exports of Grain and Grain Products or of the relevant self-managing community for stimulating exports of grain and grain products concerning registration of contracts on production and delivery of seed wheat and seed corn for which monetization is being used;

5) other customary documentation from which it can be confidently ascertained that the funds received are being used for the assigned purpose and are at all times covered by the corresponding value of production or stocks of the specified agricultural products and foodstuffs.

28. The value of the production and stocks of agricultural products and foodstuffs, for purposes of ascertaining the level of the proportion of primary note issue in monetizing investments in production or stocks under this order, shall be calculated in conformity with Article 48 of the Social Compact on Implementing the Policy for Development of the Agroindustrial Complex Set Forth by the Social Plan of Yugoslavia for the Period 1981-1985 (SLUZBENI LIST SFRJ, No 59, 1982), using the established producers' sales prices, and for products for which those prices have not been set--using actual purchase prices. For products for which producers' sales prices have not been prescribed or for which actual purchase prices do not exist, the value of production and stocks of those products shall be calculated at the actual sales prices of producers, reduced by 15 percent.

3. Use of Primary Note Issue for Monetization of Investments in Formation of Market Commodity Reserves of Agricultural Products and Foodstuffs

29. Banks may use primary note issue to monetize investments in formation of market commodity reserves of agricultural products and foodstuffs (Point 9, Subparagraph 3) which are formed at the level of sociopolitical communities (opstinas, autonomous provinces, republics and the Federation) in a proportion not to exceed 50 percent of the balance of their claims on the basis of monetization used for that purpose by organizations of associated labor or other social juridical persons in whose possession those reserves are being created.

The provision of Paragraph 1 of this point concerning monetization of investments in market commodity reserves of agricultural products and foodstuffs at the level of the Federation shall also pertain to commodity reserves of those products which are formed from domestic production as federal commodity reserves, pursuant to the provisions of the Law on Federal Commodity Reserves (SLUZBENI LIST SFRJ, Nos 14, 1975, and 40, 1981).

The period for repayment of the primary note issue referred to in Paragraphs 1 and 2 of this point may not be longer than 12 months, reckoned from the date of use of each individual amount or installment of the primary note issue.

Banks may use the primary note issue under this point on the basis of the following documents which they shall submit to the national bank:

1) contracts on monetization which the bank has concluded with the organization of associated labor or other social juridical person in whose possession the reserves are being formed;

2) contracts on storage of commodity reserves concluded between the users of monetization and the storage facility, one of whose stipulations shall be the obligation of the storage facility to furnish data monthly to the user of the monetization on the condition of the products being stored;

3) bills and other documents proving the quantity and value of stocks of commodity reserves on the basis of which monetization is being used and other documentation and accounting figures to prove the formation and existence of those stocks;

4) a survey of the stipulated schedule for repayment of the resources used.

The value of agricultural products and foodstuffs, for purposes of determining the level of proportion of primary note issue in monetization under this point, shall be calculated in the prices at which those reserves are formed.

4. Use of Primary Note Issue for Monetization of Accounts Receivable on the Basis of Sale or Purchase of Domestic Equipment, Ships and Rail Vehicles on Credit Within the Country

30. Banks may use primary note issue for monetization of accounts receivable on the basis of sale or purchase of domestic equipment, ships and rail vehicles on credit within the country (Point 9, Subparagraph 4) as follows:

1) for sale on credit--on the basis of bills of exchange issued under Article 38 of the Law on Securing Payments which have not come due and which the banks have in their portfolio of bills of exchange and have purchased from organizations of associated labor (discounted) in the manner and under the conditions prescribed in Articles 16 and 17 of that law;

2) for purchase on credit--on the basis of contracts on credits granted to organizations of associated labor which are investors for the purchase of domestic equipment or ships on credit--on the basis of a contract on the purchase and sale of bills of exchange which the bank has obtained to secure repayment of the credits granted.

Banks may use the primary note issue for monetization covered by the provision of Paragraph 1, Subparagraph 1, of this point solely on the basis of bills of exchange issued under contracts concerning the sale of domestic equipment, ships and rail vehicles on credit and coming due for payment within a period not to exceed 1 year, reckoned from the date of use of the primary note issue, and that in a proportion not to exceed 65 percent--or in the case of sales of rail vehicles not to exceed 90 percent--of the amount of the face value of those bills of exchange.

Banks may use primary note issue for monetization covered by the provision of Paragraph 1, Subparagraph 1, of this point on the basis of bills of exchange

received for discounting from organizations of associated labor in the distribution sector which act as middlemen in a sale between producers and investors solely on the condition that they possess documentation showing that that trade organization has paid the producer in cash for the equipment, ships or rail vehicles produced in the country and delivered to the investor on credit.

For the purpose of this point "sale on credit" means a sale of equipment, ships and rail vehicles on credit whose repayment period is not less than 2 years.

Banks may use primary note issue to purchase domestic equipment and ships on credit in a proportion not to exceed 65 percent--for the purchase of rail vehicles on credit not to exceed 90 percent--of the balance of outstanding credit granted to organizations of associated labor which are purchasers and investors coming due for collection within a period not to exceed 1 year, reckoned from the date of use of primary note issue from the national bank on that basis.

The balance of outstanding credit referred to in Paragraph 5 of this point may not include claims on the basis of credit extended to railroad transportation organizations of associated labor under the Law on Furnishing Capital to Railroad Transportation Organizations of Associated Labor for the Purchase of Rail Vehicles Produced in the Country (SLUZBENI LIST SFRJ, No 77, 1982).

For the purpose of this point "domestic equipment, ships and rail vehicles" means finished products of domestic organizations of associated labor in the following activities: metal manufacturing, machinebuilding, production of transportation equipment, shipbuilding and production of electric machines and apparatus intended for investments in fixed capital of organizations of associated labor.

As an exception to the provision of Paragraph 7 of this point, "domestic equipment" shall also include rubber conveyor belts and asbestos-cement pipe which by virtue of their technological function are integral parts of capital equipment covered by that paragraph and which are delivered directly to organizations of associated labor which are the purchasers and investors.

Payments by phases of production of ships and other maritime and river vessels and other equipment produced by phases--up to the amount of the value of each completed phase--shall be equivalent to the sale or purchase of domestic equipment, ships and rail vehicles on credit under this point, if the purchaser who is the investor has assumed the obligation to make payment by phases and has delivered to the producer bills of exchange issued pursuant to the provision of Paragraph 1, Subparagraph 1, of this point, in the amount of the value of the completed phase.

Use of primary note issue to monetize accounts receivable on the basis of the sale of agricultural machines and other agricultural equipment produced in the country to private agricultural producers on credit directly from the producers or through other organizations of associated labor shall be

equivalent to the use of primary note issue under Paragraph 1, Subparagraph 2, of this point.

5. Use of Primary Note Issue To Monetize Investments in Formation of Stocks of Domestic Coal

31. Banks may use primary note issue to monetize investments to build up stocks of domestic coal (Point 9, Subparagraph 5) as follows:

- 1) for seasonal stocks of coal at coal mines;
- 2) for stocks of coal at thermal electric power plants and other large coal consumers in the economy who consume coal continuously throughout the year;
- 3) for stocks of coal in organizations of associated labor in the economy which are large coal consumers and whose coal consumption is seasonal in nature (seasonal production and the heating season);
- 4) for seasonal stocks of coal in the distribution sector at major centers of consumption.

Banks may use primary note issue for the monetization covered by Paragraph 1 of this point for seasonal stocks of coal at coal mines and for coal stocks at thermal electric power plants in a proportion not to exceed 55 percent--and for stocks of coal held by other users covered by that paragraph not to exceed 45 percent--of the balance of their claims against organizations of associated labor on the basis of monetization of investments in those stocks.

Banks may use primary note issue for seasonal stocks of coal covered by Paragraph 1, Subparagraph 1, of this point from 1 March to 31 October provided users of the monetization qualify as organizations of associated labor which are coal producers and which have in their pile stocks of coal produced in 1984 in quantities which are not smaller than the quantity that corresponds to the average output over a period of 45 days achieved in the previous year, and the periods for repayment of the funds used may not be longer than 45 days, reckoned from the date of their use.

Banks may use primary note issue for monetization of investments in coal stocks under Paragraph 1, Subparagraph 2, of this point on the basis of claims against thermal electric power plants on the basis of monetization of investments in stocks of coal necessary for average consumption up to 45 days and for stocks of coal held by other organizations of associated labor in the economy whose coal consumption is continuous and whose total consumption in the course of the year amounts to at least 120,000 tons, provided the stipulated period for repayment of the funds used may not be longer than 45 days, reckoned from the date of their use.

Banks may use primary not issue for monetization of investments in coal stocks covered by Paragraph 1, Subparagraph 3, of this point on the basis of investment in stocks of coal purchased between 1 April and 30 September 1984, provided the users of monetization on that basis qualify as organizations of

associated labor in the economy whose total annual coal consumption amounts to at least 30,000 tons and the periods for repayment not longer than 6 months, reckoned from the date of use of the funds on that basis, nor may they extend beyond 28 February 1985.

Banks may use primary note issue to monetize investments in stocks of coal under Paragraph 1, Subparagraph 4, of this point on the basis of claims against organizations of associated labor in the distribution sector engaged in trade in fuel in major centers of consumption for monetization of investments in stocks of coal purchased from coal mines between 1 April and 30 September 1984. Banks may use the primary note issue for coal stocks covered by this paragraph provided the investments in coal stocks monetized are made by organizations of associated labor whose annual deliveries amount to at least 10,000 tons of coal and the payments stipulated for repayment of the resources used are not longer than 6 months reckoned from the date of use of those funds, nor may they extend beyond 31 January 1985.

32. Banks may use primary note issue for monetization of investments in coal stocks under Point 31 of this order on the basis of the following documents which they shall submit to the national bank:

- 1) contracts on monetization of investments in formation of those coal stocks concluded with organizations of associated labor;
- 2) excerpts from accounting records on stocks of coal in piles at coal mines;
- 3) contracts on the sale and delivery schedule of coal concluded between organizations which under this order may use monetization on the basis of investments in coal mines and organizations which are coal producers;
- 4) bills and other documents proving the quantity and value of stocks of coal on the basis of which monetization is being used;
- 5) other customary documentation from which it can be confidently established that the funds received through monetization are being used for the assigned purpose and that they are covered at all times by the corresponding value of the stocks of coal serving as the basis for use of monetization.

The value of stocks of coal for purposes of establishing the level of the proportion of primary note issue in monetization for stocks of coal covered by Point 31, Paragraph 1, Subparagraph 1, of this order shall be calculated in the sales prices of coal producers, and for stocks covered by the provisions of Subparagraphs 2 through 4 of Paragraph 1 of this point--at the purchase prices of the coal.

6. Monetization of Investments To Import Certain Products

33. Banks may realize primary note issue for monetization of the investments of organizations of associated labor to import certain products pursuant to a regulation issued on the basis of Point 5, Paragraph 6, of the Order on Goals in 1984.

IV. Extension of Short-Term Credits to Banks on the Basis of Credits Granted to Individuals on the Basis of Final Sale of Foreign Exchange

34. Primary note issue shall also be used in 1984 to extend credits to banks on the basis of credits extended to individuals for housing construction, purchase of housing units and construction and equipping of workshops of craftsmen and tradesmen, agricultural buildings and other work buildings for performance of the regular activity of individuals on the basis of final sale of foreign exchange from the foreign exchange accounts of individuals.

The banks may use the credits covered by Paragraph 1 of this point in a proportion not to exceed 25 percent of the amount of credits granted and used in 1984 and extended to individuals for the purposes covered by that paragraph.

The credits referred to in Paragraph 1 of this point shall be granted to banks with a repayment period not to exceed 24 months, reckoned from the date when the credit is given to the bank by the national bank.

The bank shall submit to the national bank a survey of credits approved and used and extended to individuals for the purposes covered by Paragraph 1 of this point, with separate indication of those extended for housing construction and the purchase of housing units, on the one hand, and for all other purposes on the other. In those surveys the banks shall provide data on the amount of credit extended and used, on the amount of foreign exchange sold, which shall be indicated in the foreign currency and in the dinar equivalent as of the date of sale, on the amount of the down payment or time deposit assigned to that purpose, and also the stipulated period for repayment of the credit. At the request of the national bank the banks shall also submit other necessary documentation.

V. Special Provisions

35. Pursuant to Point 7 of Paragraph 3 of the Order on Achievement of Goals in 1984, if the national bank finds that a bank has not acted in accordance with Paragraph 2 of that point, it shall suspend that bank's further use of credit and halt the granting of all credits and other lendings from primary note issue and shall undertake collection from that bank of all claims on the basis of credit granted and other lendings out of primary note issue.

The national bank shall act in accordance with Paragraph 1 of this point immediately upon expiration of a period of 5 days from the date of receipt of notice from the competent officer or agency of the market inspectorate unless within the period the bank notifies it or submits to it evidence of measures taken pursuant to Point 7, Paragraph 2, of the Order on Achievement of Goals in 1984 or if it follows from the report received that the bank is not taking those steps.

Upon expiration of the period stated in Paragraph 2 of this point, the national bank shall immediately adopt a decision whereby it suspends the bank's further use of credit and extension of all credits and other lendings from primary note issue and it shall order it to meet all claims of the national

bank on the basis of credits already granted it and other lendings from primary note issue. The duration of the steps taken in connection with the decision may not be less than 30 days from the date when the decision was taken.

If within the period stated in the decision referred to in Paragraph 3 of this point the bank does not submit to the national bank evidence that it has acted pursuant to Point 7, Paragraph 2, of the Order on Achievement of Goals in 1984, the measure of suspending use of primary note issue on all bases shall be extended, and the national bank is required to seek collection through the courts of all its claims against the bank on the basis of use of funds from primary note issue.

36. Pursuant to Point 11, Paragraph 4, of the Order on Achievement of Goals in 1984, should the national bank find that a bank has extended new credits for preparation of production for export, for production for export, and for export to organizations of associated labor and other social juridical persons who have held a portion of the foreign exchange for socially recognized needs in reproduction in a foreign exchange account longer than 15 days from the date of the foreign exchange being posted to the foreign exchange account, it shall halt that bank's further use of primary note issue on all bases and shall undertake collection from that bank of all its claims on the basis of use of primary note issue.

The national bank shall act in accordance with Paragraph 1 of this point immediately, no later than 5 days from the date when it finds that the bank has continued to extend new credits contrary to Article 81, Paragraph 2, of the Law on Foreign Exchange Transactions.

The national bank shall adopt the decision and establish the duration of the steps taken in accordance with the procedure and in the manner envisaged in Point 35, Paragraphs 3 and 4, of this order.

So that enforcement of the provisions of Article 81, Paragraphs 2 and 3, of the Law on Foreign Exchange Transactions can be monitored, the bank shall furnish records on dates of inflow and outflow or of the sale of a portion of foreign exchange for socially recognized needs in reproduction.

On the basis of the records referred to in Paragraph 4 of this point the banks shall deliver to the competent national bank a 10-day report on the amount of that portion of foreign exchange for socially recognized needs in reproduction which organizations of associated labor and other social juridical persons have kept in a foreign exchange account longer than 15 days reckoned from the date when that foreign exchange was credited to the foreign exchange account, as well as on new credits granted or lendings to those organizations for preparation of production for export, for production for export, and for the export of goods and services.

Aside from the records and reports referred to in Paragraphs 4 and 5 of this point, the bank is also required when it is using primary note issue under this order to submit to the national bank a statement that it has not extended new credits to organizations of associated labor and other social

juridical persons contrary to Article 81, Paragraph 2, of the Law on Foreign Exchange Transactions.

37. Pursuant to Point 8, Paragraph 4, of the Order on Achievement of Goals in 1984, when the national bank finds that a bank has not acted in accordance with Paragraph 3 of that point, it shall suspend that bank's use of primary note issue on the basis covered by that paragraph and shall undertake collection from that bank of claims on the basis of use of primary note issue for the products covered by that paragraph.

The national bank shall take the action referred to in Paragraph 1 of this point immediately after expiration of the period of 5 days from the date of receipt of the notification referred to in Point 8, Paragraph 3, of the Order on Achievement of Goals in 1984, if within that period the bank does not notify the national bank or does not submit to it evidence of having taken the steps referred to in that paragraph, and also when it follows from the report received that the bank has not taken the steps referred to in that paragraph.

The national bank shall adopt the decision and establish the duration of the steps taken according to the procedure and in the manner envisaged in Point 35, Paragraphs 3 and 4, of this order.

In order to ensure the monitoring of credit for stocks of certain products, the banks shall file monthly reports with the national bank on the status and value of stocks covered by credit. The bank shall file those reports by the 15th of the current month for the previous month on a form prescribed by the National Bank of Yugoslavia.

38. Pursuant to Point 9, Paragraph 3, of the Order on Achievement of Goals in 1984, when the national bank finds that a bank has not acted pursuant to Paragraph 2 of that point, it shall suspend that bank's use of primary note issue with respect to credit covered by that paragraph and shall undertake to collect from that bank claims on the basis of the use of primary note issue for the products covered by that paragraph.

The national bank shall take the action described in Paragraph 1 of this point immediately after expiration of the period of 5 days from the date of receipt of the notification referred to in Point 9, Paragraph 1, of the Order on Achievement of Goals in 1984, if within that period the bank does not notify the national bank or does not submit evidence to it of having taken the steps referred to in that paragraph, and also when it follows from the report received that the bank has not taken the steps described in that paragraph.

The national bank shall adopt the decision and establish the duration of the steps taken in accordance with the procedure and in the manner envisaged in Point 35, Paragraphs 3 and 4, of this order.

39. The national bank shall submit to the National Bank of Yugoslavia, no later than the 20th of the current month for the previous month, monthly reports on measures taken against banks pursuant to the provisions of Articles 35 through 38 of this order, and a summary report as described in Point 37, Paragraph 4, of this order.

The national banks shall draw up the reports referred to in Paragraph 1 of this point on the form prescribed by the National Bank of Yugoslavia.

40. The national bank shall purchase bills of exchange from banks, shall extend credits to banks on the basis of those bills of exchange and on the basis of foreign securities [commercial paper] and shall allow the banks to use primary note issue on the basis of selective monetization under this order, provided the banks have discounted those bills of exchange, have extended credits to organizations of associated labor or provided that the organizations of associated labor have used the funds based on selective monetization at discount rates or rates of interest envisaged by the self-management accord of the banks.

If the banks do not conclude the self-management accord referred to in Paragraph 1 of this point, the discount rate on discounted bills of exchange or the interest rate on credits and selective monetization used from primary note issue may not exceed a maximum of 2 percentage points above the discount rate or rate of interest which the banks pay on primary note issue used, in conformity with the Order on Interest Rates for Purchase of Securities and on Credits From Primary Note Issue.

The provisions of Paragraphs 1 and 2 of this point shall not apply to the Yugoslav Bank.

VI. Final Provisions

41. The dinar equivalent of foreign means of payment and foreign securities, for purposes of determining the level of the proportion of primary note issue, for the purposes of this order shall be calculated as follows:

1) for payment or for collection in convertible currency--at the selling rate of exchange established at the last-but-one interbank meeting of the unified foreign exchange market in the month preceding the month in which the export took place or in which the obligation arose to pay customs on the goods being imported;

2) in payments covered by bilateral payments agreements--by applying the prescribed rate of exchange for calculating payments and collections.

42. This order shall take effect on the day after publication in SLUZBENI LIST SFRJ.

7045

CS0: 2800/305

CURRENT PROBLEMS IN AGRICULTURAL, FOOD INDUSTRY

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 11 May 84 p 1

[Excerpts] Spring planting is late on 14 to 20 percent of the planned area. Corn and sugar beets have been planted on 77 percent of the planned area, sunflowers on 53.7 percent, soybeans on 71.6 percent. High levels have been achieved in Croatia, Slovenia, Vojvodina, and Bosnia-Hercegovina. In Kosovo, on the other hand, only 15 percent of the planned area has been planted, in Montenegro 49.5 percent, in Macedonia 51.6 percent, and in Serbia proper 66.6 percent.

It appears that certain amounts of [edible] oil will have to be imported also in 1985 because oilseed crop planting this year will not provide an adequate harvest, even with a larger area planted. It is estimated that there will be adequate quantities of sugar if present consumption is maintained or even falls a bit.

Because of uncontrolled corn prices and uncertainty regarding corn supplies, livestock raisers are less interested in fattening animals, which partly explains the increase in slaughtering in the first quarter of this year. Thus, there is a large supply of meat now after an extended period in which consumption was reduced up to 30 percent and exports were unsatisfactory. However, a later shortage of meat can occur because of lack of storage space. The tourist industry is also...not taking advantage of the present good supply which can have considerable [adverse] consequences both on meat production and on supplies for tourist facilities.

The economic position of the food industry is not enviable. Total losses are estimated at 6.151 billion dinars last year. The position of dairies has worsened considerably but sugar mills are in the worst position with high interest payments amounting to 50 percent of income, outlays increasing faster than income, and production costs more than doubling.

In the first quarter of this year meat and livestock exports amounted to \$82.6 million which is less than last year at this time and below the planned 8.6 percent increase; 9 percent less than planned was sold on the convertible market and 7 percent less than planned on the clearing-account market.

In January and February about 200,000 tons of corn was sold abroad, and an additional 347,000 tons in March and April. Total agricultural exports last year amounted to \$1.076 billion (\$859,112,000 on the convertible-currency market and \$217,517,000 on the clearing-account market). In the first quarter of this year \$237.5 million worth of agricultural products were exported which is 17.6 percent of the plan for the entire year.

CSO: 2800/322

BRIEFS

KOSOVO AGRICULTURAL LAG--This spring has not been good for Kosovo farmers who, because of the failure to meet planting plans last fall were expected to carry out considerably more work than was originally planned. Last fall nearly 10,000 hectares to be sown in wheat were left unplanted; in addition, one-half of the planned area was not plowed. Spring planting in Kosovo is even more unfavorable than it was last year. It was hoped that barley would be planted on a larger area than planned, but only 6,000 instead of the planned 11,000 hectares were planted. Sugar beets are still being planted although the best planting time is past; 5,000 hectares were planned for this crop but not even one-half of this is being realized. As a result, the sugar mill in Pec is having great problems in securing raw materials for processing; last year it operated at only 20 percent of capacity. While unstable weather conditions can be blamed in part for the fact that Kosovo agriculture is behind schedule, other reasons should be sought in the subjective weaknesses of organizers of agricultural production. The view that price disparities justified the failure to conclude contracts to grow industrial crops cannot be accepted, since after the new guaranteed prices were set, Kosovo farmers unlike others in Yugoslavia were offered even higher incentives from the Fund for Promoting Agriculture. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 3 May 84 p 1]

KOSOVO FARMERS UNORGANIZED--The private agricultural sector in Kosovo accounts for 88.4 percent of the agricultural area, 97 percent of the livestock, and 90 percent of the tractors. But these resources are poorly used and the result has been the province's deficit in almost all agricultural products. The motivation of farmers to form associations [with the socialized sector] has been declining. Nearly 15,000 farmers are organized in some form of association and the number of cooperative organizations has increased from 25 to 93 since the Law on Association of Farmers was enacted; but this number of organizations is insufficient to carry out the function for which they were formed. Experience has shown that organizations of farmers which cover small areas and have a larger number of associated farmers realize better production and self-management results. In contrast to this, organizations which cover an entire opstina (and there are several like this in the province) and have a small number of associated farmers who are consequently located far apart, do not have the possibility of successful cooperation, i.e., the achieving of their self-management

rights and interests. One of the reasons for the slow development of the process of association is the inadequate inclusion of private farmers in the organs of self-management. In cooperatives and in basic cooperative organizations the situation is a little more favorable than in organizations of private farmers cooperating with cooperatives where the associated farmers are only symbolically represented in self-management organs. Contributing to the slow development of the process of associating of private farmers in Kosovo is the lack of fixed and current assets to form new organizations, as well as the lack of capable personnel, the loose connection with processing capacities and commercial facilities, and insufficient investment in developing the private sector. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 4 May 84 p 11]

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